VOLKSBANK

ANNUAL REPORT

ASSOCIATION OF VOLKSBANKS

2022

KEY FIGURES OF THE ASSOCIATION OF VOLKSBANKS

Euro million	31 Dec 2022	31 Dec 2021	31 Dec 2020
Balance sheet			
Total assets	**29,224**	**32,095**	**29,370**
Loans and receivables customers	**22,116**	**21,563**	**21,287**
Amounts owed to customers	**22,105**	**22,747**	**22,153**
Debts evidenced by certificates	**1,682**	**1,877**	**1,470**
Subordinated liabilities	**454**	**494**	**577**
Own funds			
Common equity tier 1 capital (CET1)	2,025	1,978	2,002
Additional tier 1 capital (AT1)	220	220	220
Tier 1 capital (T1)	**2,245**	**2,198**	**2,222**
Tier 2 capital (T2)	409	460	494
Own funds	**2,654**	**2,658**	**2,716**
Risk weighted exposure amount credit risk	12,915	12,496	12,903
Total risk exposure amount market risk	21	27	38
Total risk exposure amount operational risk	1,269	1,231	1,184
Total risk for credit valuation adjustment	0	9	50
Total risk exposure amount	**14,218**	**13,763**	**14,175**
Common equity tier 1 capital ratio	**14.2 %**	**14.4 %**	**14.1 %**
Tier 1 capital ratio	**15.8 %**	**16.0 %**	**15.7 %**
Equity ratio	**18.7 %**	**19.3 %**	**19.2 %**
Income statement	**1-12/2022**	**1-12/2021**	**1-12/2020**
Net interest income	467.6	405.9	413.1
Risk provision	-31.3	89.4	-126.0
Net fee and commission income	255.4	253.4	239.1
Net trading income	4.0	3.6	-0.5
Result from financial instruments and investment properties	-15.0	17.5	5.9
Other operating result	-64.2	-2.2	37.3
General administrative expenses	-499.6	-515.3	-511.8
Result from companies measured at equity	-0.6	-1.3	-0.3
Result before taxes	**116.4**	**251.0**	**56.8**
Income taxes	-1.5	-31.8	-36.8
Result after taxes	**114.9**	**219.1**	**20.0**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the Group	**114.8**	**219.1**	**20.0**
Operating result	**148.2**	**162.8**	**183.2**
Key ratios	**1-12/2022**	**1-12/2021**	**1-12/2020**
Cost-income-ratio	**76.9 %**	**77.3 %**	**73.6 %**
ROE before taxes	**4.9 %**	**10.9 %**	**2.5 %**
ROE after taxes	**4.8 %**	**9.5 %**	**0.9 %**
Net interest margin	**1.6 %**	**1.3 %**	**1.4 %**
NPL ratio	**1.7 %**	**1.9 %**	**1.9 %**
Leverage ratio	**7.4 %**	**6.6 %**	**7.3 %**
Liquidity coverage ratio	**164.9 %**	**223.7 %**	**194.0 %**
Net stable funding ratio	**135.4 %**	**138.0 %**	**141.3 %**
Loan deposit ratio	**102.9 %**	**91.3 %**	**92.6 %**
Coverage ratio I	**33.2 %**	**35.6 %**	**40.1 %**
Coverage ratio III	**105.6 %**	**105.4 %**	**107.4 %**
Resources	**1-12/2022**	**1-12/2021**	**1-12/2020**
Staff average	**3,071**	**3,211**	**3,366**
Thereof domestic	3,071	3,211	3,366
	31 Dec 2022	**31 Dec 2021**	**31 Dec 2020**
Staff at end of period	**3,033**	**3,128**	**3,268**
Thereof domestic	3,033	3,128	3,268
Number of branches	**236**	**243**	**249**
Thereof domestic	236	243	249
Number of customers	**987,933**	**1,021,805**	**1,046,303**

The equity ratios are displayed in relation to total risk. The 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 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 and fixed term deposits. 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 OF VOLKSBANKS

Report on the business development and economic situation

Business development

The Association of Volksbanks again closed the 2022 financial year very successfully in economic terms. While the high net fee and commission income was further increased to euro 255.4 million, the significant income growth in the 2022 financial year was mainly due to the higher level of interest rates and accordingly the marked increase in net interest income by some 15.2 % to euro 467.6 million.

The measurement result from risk provisions for credit risk amounts to euro -31.3 million and primarily results from recalibrations in the risk models for non-defaulted loans. To date, there have been no significant credit losses in the Association of Volksbanks due to COVID-19 or due to the consequences of the Russian attack on Ukraine. Please refer to the comprehensive disclosures in the notes to the annual financial statements for information on the calculation of credit risk provisions.

The very good result of the Association of Volksbanks as a whole enabled the early payment of the outstanding amount to the Republic in December 2022 and thus the fulfilment of the last outstanding obligations under the restructuring agreement for the Volksbanks. Therefore, the EU Commission confirmed the closure of the state aid proceedings at the end of January 2023.

In addition to the repayment of the Republic, other significant projects were completed for the Association of Volksbanks in the 2022 financial year. In the first half of 2022, the "Adler" programme to optimise the structure of the Association was 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 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 quality of the consultancy for regional customer service and, on the other hand, on the central pillar of "control and service", which was implemented by bundling central functions of the Association of Volksbanks within 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. This also included the sale of the data centre operations by ARZ to Accenture in the course of an asset deal, which was closed at the end of November. 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 services of the world's leading IT service provider here in the future.

The focus of the Association of Volksbanks on high-quality consultancy in retail banking is meant to be continued in this challenging environment, supported by strengthening its commitment to the digitisation of sales. With Volksbank's video consultancy, for example, customers receive the same personal, fully comprehensive, individualised and professional advice they would receive during a visit to a branch. Flexible combinations of digital offers and personal advice at the retail branches or during a video consultancy session provide an opportunity to offer faster services to our customers, thus strengthening the customer relationship. It is gratifying to note that the Volksbanks have a very competitive product on the market in the form of their "hausbanking" app.

In the private banking area, too, the wishes of customers were taken into account by adding asset management. Since the autumn of 2022, private and institutional investors as well as companies have been benefiting from various investment options, individual investment strategies and a four-tier sustainable investment approach in asset management. In keeping with the cooperative principle, within the Association of Volksbanks there is close cooperation with Volksbank Vorarlberg in this respect, whose many years of expertise in asset management will now also provide benefits to customers of other Volksbanks.

In addition, the importance of sustainability has continued to increase in all areas of the economy. 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" already in the 2021 financial year, handing over the same to line management 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. The resulting measures will continue to accompany the Volksbanks in the future.

An assessment of the Association was obtained from the sustainability rating agency Sustainalytics for the sustainable bonds planned to be issued by VBW. In addition, VBW was assessed with regard to its business model and rated as "Low Risk" in terms of sustainability by Sustainalytics in April. This gratifying result underscores the recent efforts of the Association of Volksbanks in the area of sustainability.

In July, the rating agency Fitch raised the credit rating of the Association of Volksbanks from BBB (positive outlook) to BBB+ (stable outlook). This improvement is mainly due to the positive development in profitability, capitalisation and credit risk. The rating applies equally to all banks of the Association.

Economic environment

Overall economic development 2022

	Real GDP growth Y/Y	Inflation rate according to HICP Y/Y	Unemployment rate National definition (AMS)
As at 31 Jan. 2023	4.7 %	8.6 %	6.3 %

Source: WIFO, Statistik Austria and AMS

The Austrian economy was disproportionately affected by the COVID-19 crisis due to its industry structure, in particular the great importance of tourism, and was able to recover in equal measure from 2021 until well into 2022 due to the elimination of COVID-related restrictions. Foreign demand boosted exports of goods at the beginning of the year and nearly brought back tourism, in the past year, to the dimensions regularly achieved until the record year of 2019. Exports of services made a high positive contribution to growth. At the same time, the industrial and construction sectors, which were initially still buoyant, cooled noticeably. Prices and costs had already increased in 2021 due to sectoral shortages, and consumer price inflation had exceeded the ECB's inflation target both in Austria and in the euro zone as a whole.

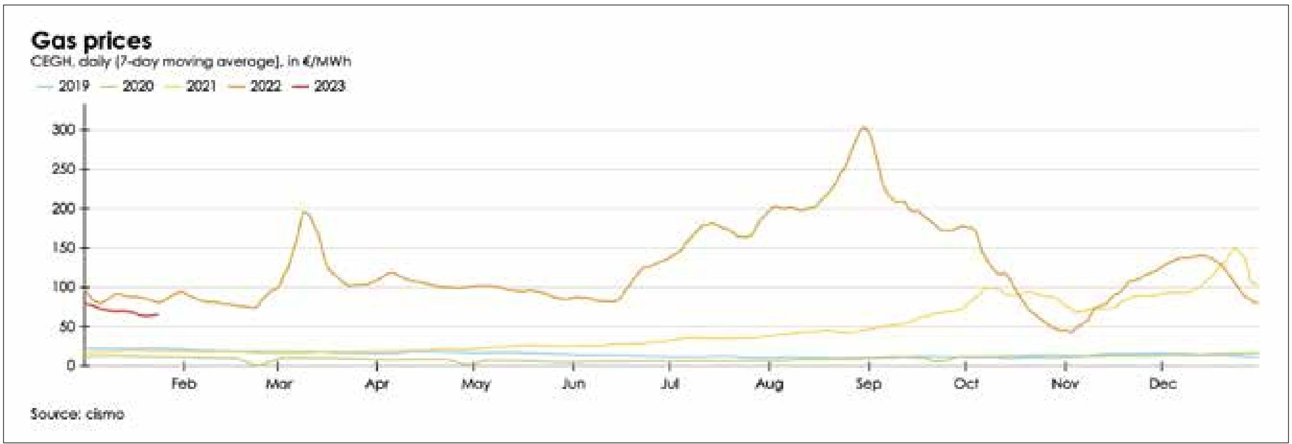
The outbreak of war in Ukraine on 24 February was accompanied by another surge in the price of energy and other raw materials, which also affected the buyer countries of Austrian goods exports and reduced their contribution to growth accordingly. Consumer price inflation, which rose into double digits, put pressure on disposable incomes, weighing on consumption and contributing to Austrian GDP shrinking in the fourth quarter according to the first WIFO estimate, while the annual growth rate increased to 2.7 %. The employment situation remained good. The unemployment rate according to the national calculation fell below 6 % in the summer and ended the year at 7.4 % in December. Many sectors reported vacant positions that could not be filled due to the continuing shortage of skilled workers. At 4,751, the number of business insolvencies, reduced in the previous two years by pandemic-related exemptions, returned to pre-pandemic levels in 2022, without quite reaching the levels of 2017 to 2019.

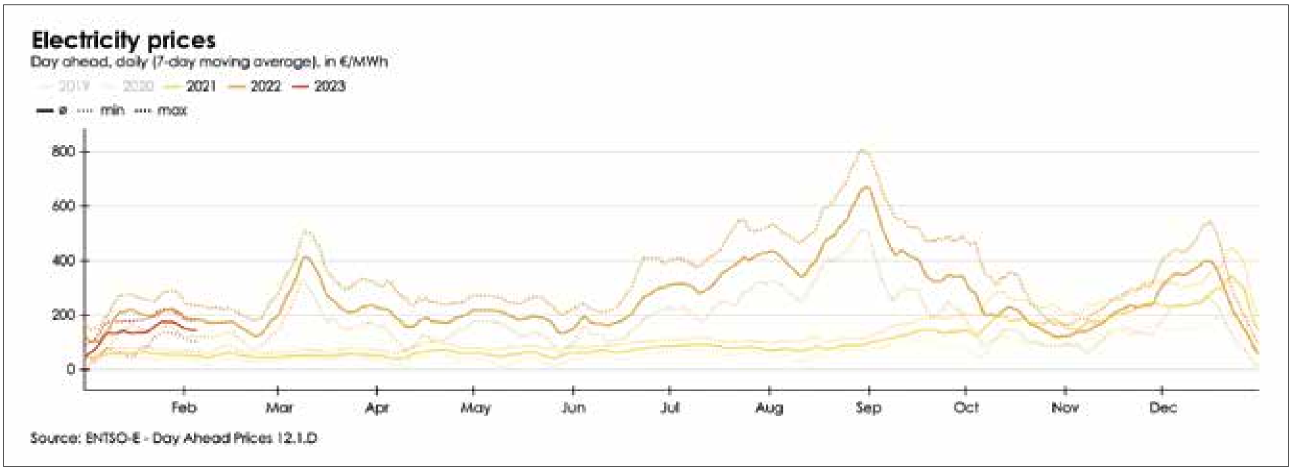
In view of the significant rise in inflation affecting the euro zone as a whole, the European Central Bank tightened its timetable for exiting its very loose monetary policy and in July 2022 raised its key interest rates by 50 basis points each to 0 % (deposits), 0.5 % (main refinancing operations) and 0.75 % (marginal lending). After three further rate hikes, the year ended with key interest rates of 2.0 % (deposits), 2.5 % (main refinancing) and 2.75 % (marginal lending). Capital market interest rates already rose sharply in the first half of the year and only levelled off somewhat in the fourth quarter. The yield on the 10-year Austrian federal bond rose from 0.1 % on 31 December 2021 to just under 2 % by mid-year and ended 2022 at 3.2 %. The stock markets slumped sharply after the outbreak of the war. Although the European stock indices were able to limit their losses later in the year, they ended the year with a significant loss (ATX -19.0 %, DAX -12.3 %).

Energy market

Sanctions against Russia following its invasion of Ukraine and supply restrictions by Gazprom weighed on the European energy market in 2022. Russia's share of European imports was reduced and increased storage was pushed, boosting demand accordingly. The gas price, which had already quadrupled to around euro 100/MWh in 2021, temporarily reached more than euro 300/MWh in August. European gas storage levels had been replenished by the start of the heating season. In Austria, which has above-average storage facilities with a capacity of around one year's requirements, the filling level reached around 90 %, of which around 60 % was stored for customers in Austria. In combination with the winter getting off to a mild start, this helped reduce the likelihood of supply bottlenecks, including government allocations, which had replaced the pandemic as the main risk factor for the economic outlook and had become the main motive for adverse scenarios, and it also eased the price situation noticeably. Closely linked to the gas price, the price of electricity also rose sharply last year, only falling back to its initial values towards year-end. The oil price showed a similar but flatter overall trend, although the effect was intensified by the parallel appreciation of the US dollar from USD 1.14 per EUR on 31 December 2021 to USD 1.07 per EUR on 31 December 2022.

The main consequences of energy market developments were crowding-out effects on private consumption as well as cost increases and – especially at the time of the greatest supply fears in the third quarter – a declining propensity to invest among companies. Price consolidation and a raft of government support measures for private households and businesses mitigated the cyclical impact of higher energy prices.





Source: https://energie.wifo.ac.at/

Credit market

In combination with increased uncertainty, weakening demand on export markets and among consumers, as well as high energy and commodity prices, the turnaround in interest rates contributed to a decline in the propensity to invest over the course of the year. Credit growth was nevertheless strong in the market as a whole. On average over the year, loans to private households in Austria increased by 5 % and those to non-financial companies by 9.9 %, thus showing a higher momentum than in the euro zone as a whole (4.4 % and 6.7 %, respectively). After strong credit growth around the middle of the year, which was also caused by increased working capital loans to businesses, the momentum slowed again in the second half of the year. Apart from real income losses and rising interest rates, the stricter regulation of housing finance by the FMA, which came into force in August, also had an impact on private households. These rules stipulate a maximum loan-to-value ratio of 90 %, a maximum debt service ratio of 40 % and a maximum term of 35 years (exceptions are permissible in 5 % to 20 % of cases, so-called "Ausnahmekontingente"), with loans up to the de minimis limit of euro 50,000 being exempt from these requirements.

Real estate market

On the Austrian residential real estate market, a long and marked price rally ended in the fourth quarter of 2022. The combination of increased real estate prices, high construction costs, rising interest rates, and reduced real disposable incomes due to high inflation impaired affordability. Other factors included the generally higher uncertainty, more rigorous lending standards, and increased supply due to 71,200 completions from the previous year, the highest level since the early 1980s. At the same time, however, real interest rates remained negative, which further encouraged demand from institutional investors.

The OeNB's real estate price index, which still showed an annual rate of 13.1 % in the second quarter, declined by more than 1 % quarter-on-quarter in the fourth quarter of 2022 for the first time since the third quarter of 2014 and now only showed an annual rate of 5.2 %. Of the segments shown, only new freehold flats outside Vienna were still able to record a slight price increase compared with the previous quarter, while prices for single-family homes, used freehold flats and, in Vienna, new freehold flats declined overall. Despite the weak fourth quarter, the OeNB real estate price index was still very robust in 2022 as a whole, rising by 10.4 % Y/Y; according to the OeNB Residential Property Market Monitor, however, rents excluding service charges were stagnating. Construction costs increased by 10.1 % Y/Y in housing and residential construction (road construction: 17.3 % Y/Y).

Regional and sectoral development

	AT	BGLD	KNT	NÖ	OÖ	SBG	STMK	T	VBG	V
Q3/2022 production value % Y/Y										
Material goods Production	13.6	21.1	19.0	11.7	17.6	17.7	10.8	7.1	12.3	7.6
Construction	6.8	3.5	11.3	9.2	6.2	13.4	8.9	5.2	3.8	1.9
Unemployment rate 2022 %	6.3	6.3	7.1	5.9	4.0	3.7	5.2	4.0	5.0	10.5
Tourism 2022: Overnight stays % Y/Y	72.1	17.0	25.7	32.0	39.3	93.2	45.3	89.8	86.2	164.3
Austria	31.4	12.6	9.0	22.0	28.9	54.0	29.6	35.4	46.6	96.0
Other countries	96.2	36.3	43.0	59.6	56.4	110.2	76.4	97.4	92.9	190.7

Source: WIFO, Statistik Austria and AMS

The output values of the third quarter of 2022, presenting a fairly balanced picture overall, show a below-average development in Vienna. While construction output in Vienna in the second quarter was somewhat below average (22.8 % compared to 30 % in Austria as a whole), even compared to the last pre-pandemic year of 2019, material goods production in Vienna appears to have recovered more quickly than in most other federal Länder. The WIFO states the growth rate at 33.9 % (Austria: 27 %) compared to Q2-2019. According to the WIFO, this unusual trend is due to the fluctuating production of the Austrian Mint, among other factors. The unemployment rate decreased in Vienna, as it did in all federal Länder, but remained highest in the federal capital in 2022.

The labour market situation was particularly favourable in Salzburg and Tyrol. Even though the first part of the summer season lagged behind the previous year to a certain extent, 2022 as a whole was characterised by tourism and tourist regions catching up due to winter tourism becoming possible again. For the year as a whole, the number of accommodation facilities or beds increased by 2.0 % Y/Y and 1.7 % Y/Y, respectively. The strongest absolute growth was recorded in Tyrol and Salzburg, while the highest growth in percentage terms occurred in Vienna, with 36.2 % more facilities and 17.8 % additional beds. Carinthia and Upper Austria recorded a slight minus. The number of overnight stays for the year as a whole was around 137 million, 72.1 % higher than in the previous year (domestic guests +31.4 %, foreign guests +96.3 %). In spite of there still being pandemic-related restrictions in the first quarter, according to preliminary annual statistics, 2022 was only 10 % away from the record year of 2019 and ranked among the top 5 calendar years recorded by Statistics Austria. A breakdown by accommodation facilities for the preliminary summer season (May to September) showed strong growth rates for holiday apartments, in particular, while overnight stays at hotels recorded a slight decline.

While the increase in the number of visitors from abroad boosted the number of potential consumers again, the burdens on disposable household incomes put some pressure on sales in the retail sector, where brick-and-mortar retailers in particular also felt the impact of higher energy costs. New registrations of passenger cars were 10 % below the previous year's level. Additionally, the trade association reported rampant discounting and 35,000 vacancies that could not be filled towards the end of 2022. Nevertheless, gross value added in trade increased by 2.5 % according to the WIFO (December 2022). Although the industrial sector was increasingly burdened by decreasing order volumes and higher production costs, in December 2022 sales in the manufacturing sector were still 8.1 % higher than in December 2021, and those in the construction sector were 5.7 % above the previous year's level. New orders lost momentum, but the construction order backlog at mid-year was still higher than in the previous year in most of the federal Länder (Austria: +4.8 %, Lower Austria unchanged, Burgenland and Vorarlberg down).

Abbreviations: AT=Austria; BGLD=Burgenland; KNT=Carinthia; NÖ=Lower Austria; OÖ=Upper Austria; SBG=Salzburg; STMK=Styria; T=Tyrol; VBG=Vorarlberg; V=Vienna

Healthcare was once again among the most balanced sectors in 2022. According to KSV, insolvency cases in the doctors and healthcare segment fell to 21 in the previous year. In the last pre-pandemic year, 2019, there had been 238 insolvencies. Demand for medical services was further supported by the pandemic as well as deferred treatments, but is generally high and in some areas faces a shortage of supply. The environment for pharmacies has also been good, with some of these influenced by the same factors as retail, and supply here tending to increase due to new public pharmacies (+18 in 2022) and a growing online offer.

Result of the Association for the 2022 financial year

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 116.4 million (2021: euro 251.0 million), while the result of the Association after taxes and minority shares amounts to euro 114.9 million (2021: euro 219.1 million). The operating result for 2022 amounted to euro 148.2 million (2021: euro 162.8 million). Excluding the payment to the Republic, it even amounts to euro 231.4 million.

In 2022, net interest income increased from euro 405.9 million to euro 467.6 million. While interest and similar income increased from euro 491.7 million to euro 550.4 million, interest and similar expenses even decreased to euro 82.8 million, after euro 85.8 million in 2021. This was mainly due to a euro 42.5 million increase in interest income from loans and receivables to customers and a euro 15.2 million increase in interest income from loans and receivables to credit institutions, which was attributable to the increases in key interest rates by the ECB that began in the reporting year. Interest income from participation in the ECB's TLTRO III decreased by euro -1.7 million. Moreover, net interest income from derivative instruments improved by euro 4.9 million against the comparative period, from euro -15.6 million to euro -10.8 million. Interest expense from negative interest on deposits with the central bank increased by euro -3.1 million.

Compared to the previous year, risk provisions increased by euro 120.8 million to euro -31.3 million, mainly reflected by net allocations of euro -35.5 million (2021: euro 62.2 million) to the portfolio loan loss provision due to the revision (required under economic aspects) of the internal credit risk models and the related recalibration of default probabilities, and by lower net reversals of individual loan loss provisions (incl. direct write-offs and income from loans and receivables written off) amounting to euro 8.9 million (2021: euro 16.3 million). For off-balance sheet business, net allocations of euro -4.5 million (2021: euro 10.5 million) were recognised.

Net fee and commission income amounts to euro 255.4 million for the reporting period and has increased by euro 2.0 million compared to the previous year (2021: euro 253.4 million). This increase was mainly due to checking account business and payment transactions (euro +6.5 million), other service business (euro +0.9 million) and custody business (euro +0.3 million). This was offset by lower net fee and commission income from securities business (euro -3.7 million) and lower net fee and commission income from lending business (euro -1.8 million).

Net trading income amounts to euro 4.0 million for the financial year and has slightly improved compared to the previous year (2021: euro 3.6 million). The increase is mainly due to measurement results (euro 0.4 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 -15.0 million, thus undercutting the comparative period (2021: euro 17.5 million) by euro -32.4 million. The decrease is mainly due to valuation losses on derivative instruments amounting to euro -22.1 million (2021: euro -1.8 million), to losses on receivables measured at fair value amounting to euro -13.3 million (2021: euro -1.4 million) and to valuation losses from the valuation of guaranteed savings products [amounting to] euro -1.8 million (2021: euro 4.7 million). This is offset by valuation gains of euro 18.1 million (2021: euro 6.6 million) on debts evidenced by certificates measured at fair value.

The other operating result for the 2022 financial year amounts to euro -64.2 million (2021: euro -2.2 million). The decrease is essentially due to the payment to the Republic in the amount of euro -83.2 million. By contrast, the sale of tangible assets made a positive contribution in the amount of euro 15.1 million (2021: euro -1.5 million).

General administrative expenses of euro -499.6 million (2021: euro -515.3 million) have decreased by euro 15.7 million compared to the previous year. This was mainly the result of lower staff expenses, which decreased from euro -291.0 million to euro -282.7 million. This decrease is also reflected in the number of employees. Against the comparative period, the average headcount decreased by 140 employees from a staff of 3,211, and now amounts to 3,071 employees. Administrative expenses decreased as compared to the previous year from euro 193.7 million to euro 187.1 million. This was due to lower contributions to the deposit guarantee scheme, which decreased by euro 27.0 million year-on-year to euro 9.8 million (2021: euro 36.8 million). This is contrasted by higher IT expenses (euro +12.9 million), higher expenses for advertising and representation (euro +2.6 million), higher contributions to the resolution fund (euro +2.8 million), and higher expenses for business premises (euro +2.1 million). Write-ups and impairments remained more or less unchanged, decreasing slightly by euro 0.8 million to euro -29.8 million (2021: euro -30.6 million).

Taxes on income decreased from euro -31.8 million in the previous year to euro -1.5 million. 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 35.4 million (2021: euro 9.9 million) for part of the tax loss carryforwards. For tax loss carryforwards beyond that, in the amount of euro 444 million (2021: euro 616 million), no deferred tax assets are recognised. The current tax expense, including tax expense from previous years, for 2022 amounts to euro -18.8 million (2021: euro -21.4 million).

Financial position

As at 31 December 2022, total assets amounted to euro 29.2 billion and have slightly decreased by comparison with the end of 2021 (euro 32.1 billion) by euro 2.9 billion.

The liquid funds in the amount of euro 3.5 billion (2021: euro 6.9 billion) decreased by euro 3.4 billion compared with the previous year. The decrease is mainly due to the early partial repayment of the ECB's TLTRO III financing in the amount of euro 2.2 billion.

Loans and receivables to credit institutions in the amount of euro 0.1 billion have decreased only slightly compared to the end of the previous period (euro 0.2 billion). As at 31 December 2022, loans and receivables to customers amount to euro 22.1 billion and have increased slightly as compared to 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 previous year (euro 2.4 billion). The increase in other assets from euro 0.1 billion to euro 0.3 billion as at 31 December 2022 essentially results from changes in the fair value of derivatives in the banking book.

As at 31 December 2022, the item Assets available for sale shows the carrying amount of commercially used properties and vacant objects the sale of which has already been contractually agreed, or is very likely, as at 31 December 2022. As at 31 December 2022, this item mainly includes two properties owned by Volksbank Niederösterreich (euro 2.6 million) and Volksbank Oberösterreich (euro 2.7 million).

Amounts owed to credit institutions in the amount of euro 1.8 billion have decreased compared to 31 December 2021 (euro 3.8 billion) due to the early partial repayment of the ECB's TLTRO III financing described above.

The decrease in amounts owed to customers from euro 22.7 billion to euro 22.1 billion as at 31 December 2022 essentially results from outflows from savings deposits.

As at 31 December 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 103.2 million to euro 2.4 billion. This change is mainly due to the Group's total comprehensive income for the 2022 financial year (euro 130.5 million), the distributions to the shareholders (euro 8.3 million), as well as the coupon payment for the AT1 issue (euro 17.1 million). The total comprehensive income of the Group in the amount of euro 130.5 million consisted of the net result for the 2022 financial year of euro 114.9 million and other comprehensive income of euro 15.6 million.

Report on branch establishments

The Association of Volksbanks does not have any branch establishments.

Financial performance indicators

As at 31 December 2022, the regulatory own funds of the Association's group of credit institutions amount to euro 2.7 billion (31 December 2021: euro 2.7 billion). The total risk exposure amount was euro 14.2 billion as at 31 December 2022 (31 December 2021: euro 13.8 billion). The CET 1 capital ratio in relation to total risk amounts to 14.2 % (31 December 2021: 14.4 %), the own funds ratio in relation to total risk is 18.7 % (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	2022	2021	2020
Return on equity before taxes	4.9 %	10.9 %	2.5 %
Return on equity after taxes	4.8 %	9.5 %	0.9 %
Cost-income ratio	76.9 %	77.3 %	73.6 %

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 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 in the 2022 Annual Report of the Association, note 45.

Non-financial performance indicators

Human Resources

The Association of Volksbanks was able to further strengthen its liquidity, capital and earnings situation through a balanced approach to risk, process optimisation, digitisation and sustainability. Hence, the last tranche of the state participation capital could be repaid ahead of schedule. Together with the official conclusion of the Adler restructuring programme, this represents a turning point for the Association of Volksbanks.

In recognition of their commitment, the supervisory boards of all Volksbanks decided to pay a one-time cost-of-living bonus to all employees of the Association of Volksbanks.

The course for a fit-for-the-future business model following the restructuring was set within the scope of the "Sustainability Project" successfully completed in mid-2022.

To provide a framework for future growth, the current Human Resources focus is on developing the long-term HR strategy and embedding our employer values.

As a central element of the HR strategy, a promise to employees was formulated by the managing boards of the banks of the Association in 2022, which is supported by the employer values and the strategic HR guiding principles, addressing the challenges and opportunities arising from the current environment: "As a modern and customer-oriented regional bank, we promise you performance-based remuneration with flexible working models in a corporate culture based on trust. Within the scope of our sustainable business model, we offer meaningful work that we support through top-level training and development opportunities."

Since 2022, a Net Promoter Score (NPS) survey has been conducted at all Volksbanks, as part of the "Employee Satisfaction" sustainability goal. VOLKSBANK WIEN AG, for example, improved its NPS by 19 points compared to the last survey in December 2020. The proportion of "critics" has decreased by around 25 %, while that of "active promoters" has increased by around 39 %.

The good results can be seen as the effect of the numerous measures implemented since the last employee survey. The measures were based on specific requests from employees regarding:
- optimal framework conditions for flexible working,
- development opportunities and career prospects,
- monetary & non-monetary recognition, and
- appreciative leadership at eye level.

In order to address these wishes, the specialist departments of VOLKSBANK WIEN AG, the HR Management function and the employee survey steering group have developed a number of measures required in this context.

These included:
- The Service Heroes Award
- The success stories of our employees
- The new job profile – Sensei experts
- Home office arrangements including the remote flat rate
- Introduction of "temporary part-time"
- COVID-19 premium
- Redesigned training for executives on "values, processes and labour law"
- 360 degree feedback for C-level executives

More extensive employee surveys are carried out continuously within the Association at bank level in order to gather new, regional input for improvement measures. For 2023, the following topics are on the agenda of the Association, derived from the HR strategy and the promise to our employees:
- Focus on making employees feel that they are doing "meaningful work"
- Encouraging "pride and identity"
- Introduction of a premium model
- Introduction of a young talent programme
- Bonus for "employees recruiting employees"

With respect to diversity, to address the "Proportion of female managers" sustainability goal, the Association has set itself the goal of increasing the proportion of female managers by 10 % in the period from 31 December 2021 to 31 December 2023. As at 31 December 2022, a share of 24.4 % (including managing board members) was achieved, representing an increase by 6 % compared with 31 December 2021.

Report on the future development and risks of the Association

Future development of the Association

Economic environment

At the start of the year, consumer price inflation rose sharply once again, which is mainly explained by the adjustment of administered prices such as network usage charges in particular. However, due to the flattening of commodity and energy prices and weakened demand, inflation for the year as a whole is expected to be lower than in the previous year. This, in combination with the unusually good state of the labour market in view of the general situation, and the salaries increases under the collective agreement coming into force, reinforced by the reduction of "cold progression" (bracket creep) and the extensive price indexation of social benefits, should cause real disposable incomes to increase somewhat in the current year. The good start to the winter season, stabilised energy and commodity prices and the somewhat brighter international environment should support GDP development in Austria. For example, on 31 January 2023, the IMF revised its growth expectations slightly upward in the World Economic Outlook Update for key export markets and tourist source countries.

Despite a probable improvement in real incomes and a levelling off of construction cost increases, the real estate market will be impacted by similar factors as towards the end of the previous year. However, population growth has picked up again and comparatively few new residential buildings were approved in 2022, which should have a stabilising effect in addition to the persistently negative real interest rates. In the EBA and ECB scenarios used in the 2023 bank stress test, the Austrian residential real estate market is assumed to be highly susceptible to crises; however, slight price increases are assumed as the base scenario.

There is a particular need for financing with regard to refurbishments, conversions and the expansion of renewable energies. The improved income situation and the stabilised stock markets are also expected to support demand for securities investments.

Economic forecasts for 2023

Dec. 22	Real GDP growth Y/Y	Inflation rate according to HICPI Y/Y	Unemployment rate National definition (AMS)
WIFO	0.3 %	6.6 %	6.5 %
OeNB	0.6 %	6.5 %	6.6 %

The main risk factors for the Austrian economy are the war in Ukraine and the energy market, where shortages might occur again. Continued high inflation and locational disadvantages due to high energy costs may potentially push the GDP below zero, reduce purchasing power and solvency, and negatively affect consolidation in the real estate market.

Business development

The regionally operating Volksbanks look after their customers locally, while Österreichische Ärzte- und Apothekerbank serves doctors and pharmacies throughout Austria. In order to be able to respond even better to the needs of Austrians as their principal bank, the Volksbanks are consistently implementing the "relationship bank of the future" service concept within the Association. The focus is on customers in the regions. The aim is to become the most successful decentralised association of credit institutions in Austria. The orientation as the relationship bank of the future rests on two pillars: on a high quality of consultancy for regional customers and on the central pillar of control and service.

The implementation of the "Adler" programme, completed in 2022, as well as the ongoing support by and cooperation with the central organisation are paying off. The new leaner and more efficient cooperation is reflected favourably in the cost structure, offsetting some of the effects of inflation.

Apart from customers, the focus for 2023 will continue to be on cooperation across the Association, on improving processes and driving digitisation.

All in all, these structural and cultural changes have contributed to establishing the Volksbanks and Österreichische Ärzte- und Apothekerbank AG as the most modern association of credit institutions in Austria.

In the course of medium-term planning, the Association of Volksbanks has set itself a number of new 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 to below 70 %, a Tier 1 capital ratio (CET 1) of at least 16 % at the level of the Association of Volksbanks, 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 highest levels of satisfaction among our customers thanks to a cooperatively sustainable business model and the successful implementation of the projects launched together with our new IT partner Accenture to modernise the company's IT infrastructure are the main goals to be achieved over the next years.

Since mid-2021, the Association of Volksbanks has defined sustainability goals on which the sustainability management of the Association of Volksbanks is based. These goals relate to all ESG aspects, such as the expansion of sustainable products, decarbonisation of operations, or employee development goals, and are continuously quantified, included in the planning of the individual areas, and monitored via the Sustainability Committee and the banks of the Association.

The high inflation rate expected to continue in the next year calls for a continuous streamlining of the cost structure and an increase of productivity.

Please also refer to note 48) Subsequent events in the Notes.

Significant risks and uncertainties

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

The business model requires risks to be identified, assessed, measured, aggregated and managed effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions. As a prerequisite and basis of sound risk management, the Risk Appetite Framework (RAF) is continuously being developed within the Association of Volksbanks, to define risk appetite and/or the level of risk tolerance that the Association of Volksbanks is prepared to accept to achieve its defined goals. The level of risk tolerance is reflected in the definition and validation of appropriate limits and controls. The framework is verified and developed with respect to regulatory requirements, changes of the market environment or the business model on an ongoing basis. By way of this framework, the Association of Volksbanks aims to develop a disciplined and constructive control environment where all employees understand and live up to their roles and responsibilities.

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

The following risks are classified as material within the Association of Volksbanks in the course of the risk inventory process:
- Credit risks
- Market risks
- Liquidity risks
- Operational risks
- Other risks (e.g. strategic risk, equity risk, earnings risk, model risk)

An expansion was started in 2021 based on the integration of ESG risks into the internal capital adequacy process by incorporating ESG risks into all elements of the internal capital adequacy process. ESG risks were not included as a separate risk type, but were mapped within the existing risk types. The methods, models and strategies used for ESG risks will be continuously developed over the next years and are meant to contribute to successively measuring inherent ESG risks more accurately.

ESG risks are analysed and assessed each year as part of the risk inventory using ESG heat maps. The ESG heat map is a tool to identify, analyse and assess the materiality of ESG risks and/or their risk drivers. In the ESG heat map, various risk events are described and evaluated for all relevant risk types of the Association of Volksbanks. The findings are then mapped in the risk inventory within the framework of existing risk types.

VB Wien is committed to a sustainable corporate culture and strives to establish ESG aspects in all areas of the company. The risk strategy was expanded to include a separate sub-risk strategy for ESG risks. It maps the ESG risks inherent in the existing risk types, which can be derived in particular from the ESG heat maps and the internal stress test. More information is shown in note 50 Risk Report.

For further explanations regarding financial instruments, the risk management targets and methods as well as the risk of price changes, default, liquidity, cash flow, and ESG risks, please refer to the information contained in the Notes in the 2022 Annual Report of the Association (especially Risk Report, note 50).

Report on research and development

The Association of Volksbanks is not active in research and development.

Report on key characteristics of the internal control and risk management system with regard to the accounting process

Control environment

Compliance with all relevant legal provisions is the ultimate ambition of the Association of Volksbanks within the scope of financial reporting. On the part of the CO, a General Instruction Accounting was issued within the scope of IFRS financial reporting. The Managing Board of the CO is responsible for establishing and organising an appropriate internal control and risk management system with respect to the accounting process and provides a framework for implementation applicable to the entire group in the ICS group policy. Within the Association of Volksbanks, responsibility for implementation lies with the OPRISK and Risk Governance group at VBW.

At VBW and in the Association of Volksbanks, an internal control system (ICS) has been installed according to the internationally recognised COSO standard. Detailed descriptions of ICS processes and control measures are available. The responsibilities and roles relating to the ICS are clearly defined. Regular reporting takes place for the ICS. Control activities are documented and reviewed, ICS-relevant risks are regularly evaluated and adjusted. Accordingly, a continuous optimisation process is ensured.

In all companies included in the financial statements of the Association, the responsibility to define and introduce an appropriate ICS for the respective company and to ensure compliance with Association-wide policies and regulations lies with the respective managing board or with the management. In order to ensure that the data provided by the members of the Association is imported correctly, all data provided is first checked for plausibility. The data is then processed using the Tagetik consolidation software. After the inspections, the department manager will perform another review.

Control measures are applied within the current business process to ensure that potential errors are prevented and/or deviations in financial reporting are revealed and corrected. The control measures range from revision of the various results for the period by the management up to specific reconciliations of accounts and items, and an analysis of the ongoing processes within group accounting. In this context, two types of controls are distinguished:

- Operational controls include manual controls performed by employees according to specific tasks, automatic controls carried out by means of IT systems, as well as preventive controls aimed at avoiding errors and risks in advance through separation of functions, definition of responsibilities and access authorisations.
- Management controls serve to ensure, on the basis of spot checks by managers, that operational controls are complied with. The intervals of the checks are defined by the respective manager (division manager, department manager) depending on the degree of risk involved. The spot checks are documented in the control schedule in a manner comprehensible to third parties, and the results are reported semi-annually within the scope of management reporting.

Additionally, Internal Audit verifies compliance with internal regulations independently and regularly, also in the sphere of accounting. As a staff function, Internal Audit directly reports to the Managing Board, more specifically directly to the Chairman of the Managing Board, and also to the Supervisory Board on a quarterly basis.

Risk assessment

Risks relating to the accounting process are identified and monitored by the process owners with a focus on materiality.

In preparing the financial statements, estimates must regularly be made in areas where there is an inherent risk that actual future developments may diverge from the estimates. This applies, in particular, to the following items and facts of the financial statements of the Association: the recoverability of financial assets, banking risks, employee benefits, as well as the outcome of legal disputes. In some cases, publicly available sources will be used or external experts will be consulted in order to minimise the risk of inaccurate estimates.

Information and communication

Guidelines and regulations regarding financial reporting are regularly updated by the management and communicated to all employees concerned.

The staff of the group accounting function are regularly briefed with respect to amendments in international accounting, in order to identify any risks of unintentional false reporting at an early stage. Moreover, group accounting staff will pass on the information so acquired to employees of the members of the Association.

Twice a year, a management report is prepared that contains statements regarding the completeness, comprehensibility, active implementation and effectiveness of the control system with respect to the accounting process.

Monitoring

Top management regularly receives summary financial reports, such as quarterly reports on the development of the respective segments and the most important financial performance indicators. Financial statements that must be published are subjected to a final check by executive employees within accounting, divisional management and the Managing Board before they are forwarded to the competent bodies. The result of the supervisory activity relating to accounting processes is stated in the management report, which contains a qualitative risk assessment of the processes as well as a documentation of the number of checks carried out in relation to those specified.

FINANCIAL STATEMENTS

Statement of comprehensive income

INCOME STATEMENT	Note	1-12/2022 Euro thousand	1-12/2021 Euro thousand	Changes Euro thousand	%
Interest and similar income		550,382	491,692	58,690	11.94 %
thereof using the effective interest method		517,140	460,580	56,560	12.28 %
Interest and similar expenses		-82,809	-85,829	3,020	-3.52 %
Net interest income	4	467,573	405,863	61,710	15.20 %
Risk provision	5	-31,302	89,449	-120,751	-134.99 %
Fee and commission income		279,312	277,340	1,971	0.71 %
Fee and commission expenses		-23,907	-23,975	68	-0.28 %
Net fee and commission income	6	255,405	253,366	2,039	0.80 %
Net trading income	7	4,013	3,571	442	12.39 %
Result from financial instruments and investment properties	8	-14,971	17,473	-32,443	-185.68 %
Other operating result	9	-64,212	-2,208	-62,004	> 200.00 %
thereof payment according to restructuring agreement	9	-83,192	0	-83,192	100.00 %
General administrative expenses	10	-499,563	-515,279	15,716	-3.05 %
Result from companies measured at equity		-587	-1,284	698	-54.32 %
Result before taxes		**116,356**	**250,950**	**-134,595**	**-53.63 %**
Income taxes	11	-1,485	-31,810	30,325	-95.33 %
Result after taxes		**114,871**	**219,140**	**-104,269**	**-47.58 %**
Result attributable to shareholders of the parent company (Consolidated net result)		**114,847**	**219,144**	**-104,297**	**-47.59 %**
Result attributable to non-controlling interest		24	-4	28	< -200.00 %

Other comprehensive income

	1-12/2022 Euro thousand	1-12/2021 Euro thousand	Changes Euro thousand	%
Result after taxes	**114,871**	**219,140**	**-104,269**	**-47.58 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of obligation of defined benefit plans (including deferred taxes)	20,316	6,501	13,814	> 200.00 %
Revaluation reserve (including deferred taxes)	60	0	60	100.00 %
Fair value reserve - equity instruments (including deferred taxes)	93	2,781	-2,688	-96.65 %
Revaluation of own credit risk (including deferred taxes)	587	-1,621	2,208	-136.24 %
Total items that will not be reclassified to profit or loss	**21,056**	**7,662**	**13,394**	**174.82%**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	-7,867	-837	-7,030	> 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)	-721	-11	-710	> 200.00 %
Net amount transferred to profit or loss	-10	-18	9	-48.42 %
Change in deferred taxes arising from untaxed reserve	9	0	9	100.00 %
Change from companies measured at equity	3,152	1,755	1,397	79.58 %
Total items that may be reclassified to profit or loss	**-5,438**	**876**	**-6,314**	**< -200.00 %**
Other comprehensive income total	**15,618**	**8,538**	**7,080**	**82.92 %**
Comprehensive income	**130,489**	**227,678**	**-97,189**	**-42.69 %**
Comprehensive income attributable to shareholders of the parent company	**130,465**	**227,689**	**-97,224**	**-42.70 %**
Comprehensive income attributable to non-controlling interest	24	-11	35	< -200.00 %

Statement of financial position as at 31 December 2022

	Note	31 Dec 2022 Euro thousand	31 Dec 2021 Euro thousand	Changes Euro thousand	%
ASSETS					
Liquid funds	12	3,473,153	6,921,391	-3,448,238	-49.82 %
Loans and receivables credit institutions	13, 14	123,038	256,567	-133,528	-52.04 %
Loans and receivables customers	13, 14	22,115,988	21,563,128	552,860	2.56 %
Assets held for trading	15	25,592	39,750	-14,157	-35.62 %
Financial investments	14, 16	2,377,968	2,383,476	-5,508	-0.23 %
Investment property	17	36,439	37,512	-1,073	-2.86 %
Companies measured at equity	18	94,234	91,696	2,539	2.77 %
Participations	19	126,898	130,588	-3,690	-2.83 %
Intangible assets	20	1,373	1,687	-314	-18.61 %
Tangible assets	21	388,527	404,314	-15,787	-3.90 %
Tax assets	22	116,930	101,624	15,307	15.06 %
Current taxes		6,678	4,909	1,769	36.04 %
Deferred taxes		110,253	96,715	13,537	14.00 %
Other assets	23	337,433	147,838	189,596	128.25 %
Assets held for sale	24	6,602	15,879	-9,276	-58.42 %
TOTAL ASSETS		**29,224,176**	**32,095,448**	**-2,871,272**	**-8.95 %**
LIABILITIES					
Amounts owed to credit institutions	25	1,812,239	3,796,629	-1,984,390	-52.27 %
Amounts owed to customers	26	22,105,097	22,746,798	-641,701	-2.82 %
Debts evidenced by certificates	27	1,681,529	1,876,601	-195,072	-10.39 %
Lease liabillities	28	171,893	169,155	2,739	1.62 %
Liabilities held for trading	29	27,835	42,397	-14,562	-34.35 %
Provisions	30, 31	170,425	206,352	-35,927	-17.41 %
Tax liabilities	22	7,366	12,402	-5,037	-40.61 %
Current taxes		3,092	8,731	-5,639	-64.58 %
Deferred taxes		4,273	3,671	602	16.41 %
Other liabilities	32	357,799	418,231	-60,432	-14.45 %
Subordinated liabilities	33	454,062	494,160	-40,098	-8.11 %
Total nominal value cooperative capital shares	34	3,016	3,336	-320	-9.60 %
Subscribed capital	34	288,346	288,484	-138	-0.05 %
Additional tier 1 capital	34	217,722	217,722	0	0.00 %
Reserves	34	1,926,766	1,821,154	105,612	5.80 %
Non-controlling interest	34	80	2,025	-1,945	-96.05 %
TOTAL LIABILITIES		**29,224,176**	**32,095,448**	**-2,871,272**	**-8.95 %**

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				219,144	219,144	-4	219,140		219,140
Other comprehensive income				8,545	8,545	-7	8,538		8,538
Comprehensive income	0	0	0	227,689	227,689	-11	227,678	0	227,678
Capital increase	4,038		4,019		8,057		8,057		8,057
Dividends paid				-124,280	-124,280	-17	-124,297		-124,297
Coupon for the AT1 emission				-17,050	-17,050		-17,050		-17,050
Changes in base amount regulation	125				125		125	-125	0
Changes scope of consolidation	-1,070		-3,340	-3,155	-7,564		-7,564		-7,564
Participation Capital							0		0
Change in cooperative capital and participation capital	-2,993			-15,560	-18,553		-18,553	-581	-19,134
Change in treasury stocks	-104		223	-120			0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			883	-123	760	-54	706		706
As at 31 Dec 2021	**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				114,847	114,847	24	114,871		114,871
Other comprehensive income	0	0	0	15,618	15,618	0	15,618	0	15,618
Comprehensive income	0	0	0	130,465	130,465	24	130,489	0	130,489
Capital increase	1		5		6		6		6
Dividends paid				-6,956	-6,956	-1,357	-8,313		-8,313
Coupon for the AT1 emission				-17,050	-17,050		-17,050		-17,050
Changes in base amount regulation	120				120		120	-120	0
Changes scope of consolidation	0			-768	-768	-596	-1,364		-1,363
Participation Capital						-1	-1		-1
Change in cooperative capital and participation capital	-254			-81	-335		-335	-200	-535
Change in treasury stocks	-5		-29	0	-35		-35	0	-35
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0		10	16	26	-16	10		10
As at 31 Dec 2022	**288,346**	**217,722**	**511,126**	**1,415,640**	**2,432,834**	**80**	**2,432,914**	**3,016**	**2,435,930**

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.

Details are shown in note 34) Equity.

Cash flow statement

In euro thousand	Note	1-12/2022	1-12/2021
Annual result (before non-controlling interest)		**114,871**	**219,140**
Non-cash positions in annual result and other adjustments			
Net interest income	4	-466,899	-411,895
Income from participations	8	-1,647	-4,621
Depreciation, amortisation, impairment and reversal of impairment of financial instruments and fixed assets	8, 10	28,313	27,264
Allocation to and release of provisions, including risk provisions	5, 10	29,405	-73,720
Gains from the sale of financial investments and fixed assets	8, 9	-10,880	6,826
Income taxes	11	1,481	31,815
Changes in assets and liabilities from operating activities			
Loans and advances to credit institutions	13	114,280	179,378
Loans and advances to customers	13	-574,317	-207,047
Trading assets	15	-58	1,211
Financial investments	16	-9,412	92,555
Other assets from operating activities	23	29,364	-8,189
Amounts owed to credit institutions	25	-1,961,367	1,913,141
Amounts owed to customers	26	-641,993	593,526
Debts evidenced by certificates	27	-194,227	401,727
Derivatives	15, 23, 29, 32	-210,637	-121,996
Other liabilities	32	-67,066	28,232
Interest received		554,135	478,714
Interest paid		-87,286	-57,351
Dividends received	8	1,647	4,621
Income taxes paid		-26,225	-32,254
Cash flow from operating activities		**-3,378,518**	**3,061,075**
Proceeds from the sale or redemption of			
Financial investments at amortised cost	16	23,437	150,688
Participations	19	1,006	1,553
Intangible and tangible assets	20, 21	34,384	23,018
Investment property	17	6,863	7,300
Disposal of subsidiaries (net of cash disposed)	2	0	90
Payments for the acquisition of			
Financial investments at amortised cost	16	-20,291	-55
Participations	19	-35	-312
Intangible and tangible assets	20, 21	-20,097	-16,643
Cash flow from investing activities		**25,267**	**165,639**
Change in cooperative capital and participation capital		-564	-17,291
Dividends paid	34	-25,363	-141,347
Cash outflow of lease liabilities	28	-7,996	-7,729
Cash outflow of subordinated liabilities	33	-40,373	-83,068
Disposal of non-controlling interest		-597	0
Cash flow from financing activities		**-74,893**	**-249,435**
Cash and cash equivalents at the end of previous period	12	**6,901,063**	**3,923,432**
Cash flow from operating activities		-3,378,518	3,061,075
Cash flow from investing activities		25,267	165,639
Cash flow from financing activities		-74,893	-249,435
Effect of currency translation		234	351
Cash and cash equivalents at the end of period	12	**3,473,152**	**6,901,063**

Details of the calculation method of cash flow statement are shown in note 3) jj).
Details to the changes in subordinated liabilities are shown in note 33).

NOTES

1) General information

VOLKSBANK WIEN AG (VBW), with 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.

Financial statements for the Association 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 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 Austrian Commercial Code (Unternehmensgesetzbuch, UGB) and section 59a of the Austrian Banking Act.

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 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 thousands of euro unless specified otherwise. The following tables may contain rounding differences.

The present consolidated financial statements were signed by the Managing Board of VBW on 8 March 2023 and then subsequently released for distribution to the Supervisory Board for notice.

a) Accounting principles for the Association

The following exceptions to the application of individual IFRS apply to the 2022 and 2021 Association financial statements:

Exceptions affecting the overall scope of consolidation

IFRS 3 Business Combinations: Due to the CO's lack of control within the meaning of IFRS 10, the equity components of the CO, the associated credit institutions and the higher-level holding companies are combined. When aggregating the included companies' investments in Volksbanks and VBW, the aggregated carrying amounts of the investments are deducted from the aggregated equity components. 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. The general principles of IFRS/IAS are applied to the consolidation of companies subject to control by another company included in the financial statements.

IFRS 8 Operating Segments: IFRS 8 is not applied. The reporting structure for the Association is described in the notes section on segment reporting.

IAS 1 Presentation of Financial Statements – Comparative information: No comparative figures are provided for items in the notes that were not included in the previous year.

IAS 1 Presentation of Financial Statements – disclosures regarding shares: As this information cannot reasonably be provided in a group of companies with legally separate entities, but under unified control without a parent company (Gleichordnungskonzern), it is not included in the presentation.

IAS 1 Presentation of Financial Statements – amount of the dividend or dividend amount per share: As this information cannot reasonably be provided in a group of companies with legally separate entities, but under unified control without a parent company, it is not included in the presentation.

IAS 24 Related Party Disclosure: As this standard is also based on the concept of control, the following shall apply here:

The key management personnel are:

1. Members of the VBW Supervisory Board
2. Members of the VBW Managing Board
3. The Managing Board members and managing directors of the included Volksbanks

Information on significant agreements, outstanding loans, liabilities assumed, compensation to board members and expenditure for severance payments and pensions in relation to these key management personnel is contained in the notes. If a member of the key management personnel occupies several board positions, he/she is recorded only once and at the highest applicable level of the hierarchy listed above.

Balances and transactions with companies controlled by one of the companies included in the financial statements, but not included in the statements themselves, are also reported.

The Republic of Austria exercises significant influence over the CO. Only limited information on related parties is provided for securities issued by the Republic of Austria held by companies included in the statements.

IFRS 7 Financial Instruments Disclosure: Due to a lack of data, undiscounted maturity analyses in accordance with IFRS 7.39a and 7.39b are not provided.

2) Presentation and changes in the scope of consolidation

In the 2022 financial year, VB Verbund-Beteiligung Region Wien eG in Liqu. was deconsolidated, as following its liquidation the entire pro rata cooperative shares including the liquidation proceeds were paid back to the parent companies VBW and BBG Beratungs- und Beteiligungsgesellschaft m.b.H. This transaction had no influence on group equity or on the result.

Deconsolidation result VB Verbund-Beteiligung Region Wien eG in Liqu.

Euro thousand	
Assets proportional	540
Liabilities proportional	0
Disposal of net assets proportional	**-540**
Revenue proportional	540
Deconsolidation result	**0**

Government's participation right

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

Distributions of RZG based on the government's participation right were subject to the discretion of VBW as sole shareholder of RZG. No claim for profit shares existed 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 was obliged to transfer these shares back to the respective shareholders without consideration upon the aggregate amount of distributions received by the federal government under the government's participation right and certain other creditable amounts reaching a certain level.

According to its contractual obligations towards the federal government, VBW had to submit to the Volksbanks a proposal for the total amount to be distributed with respect to the government's participation right by RZG in the subsequent calendar year and to refund 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 was charged according to the share of its retail segment in the Association of Volksbanks (total assets under the Austrian Business Code/Austrian Banking Act). Of the total repayment amount of euro 300 million committed to the federal government, euro 200 million had already been met as at 31 December 2021. The major part of the amount still outstanding of euro 100 million was transferred by the Volksbanks to the federal government ahead of time in 2022 already.

By paying ahead of schedule, the last outstanding obligations under the restructuring agreement for the Volksbanks were met. Therefore, the EU Commission confirmed the closure of the state aid proceedings at the end of January 2023.

The performance of the restructuring agreement by directly paying the outstanding amount to the federal government ahead of schedule and its recognition as expenses, instead of effecting a distribution on the government's participation right in autumn 2023, has many advantages for the Association of Volksbanks and hence also for VBW:

- Elimination of the restrictions and requirements imposed under the restructuring agreement,
- completely private, autonomous implementation of the structural simplification required by the regulatory authorities without the federal government as shareholder,
- accelerated improvement of the rating, as desired, and
- the associated economic benefits within the scope of planned securities issues.

Overall, the above-stated reasons have led the management of VBW to decide to make the direct payment ahead of schedule, in order to perform the restructuring agreement in full.

As no distributions on the government's participation right were required, RZG has redeemed the federal government's participation right through repayment at the nominal amount, causing the government's participation right to lapse without any further legal act.

The retransfer of the VBW shares by the federal government to the respective shareholders was effected without consideration on 22 February 2023.

Number of consolidated companies

	31 Dec 2022			31 Dec 2021		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fully consolidated companies						
Credit institutions	9	0	9	9	0	9
Financial institutions	4	0	4	4	0	4
Other companies	13	0	13	14	0	14
Total	**26**	**0**	**26**	**27**	**0**	**27**
Companies measured at equity						
Credit institutions	0	0	0	0	0	0
Other companies	2	0	2	2	0	2
Total	**2**	**0**	**2**	**2**	**0**	**2**

Number of unconsolidated companies

	31 Dec 2022			31 Dec 2021		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Affiliates	18	1	19	21	1	22
Associated companies	5	0	5	5	0	5
Companies total	**23**	**1**	**24**	**26**	**1**	**27**

The unconsolidated companies in their entirety were deemed immaterial to the presentation of a true and fair view of the net assets, liabilities, financial position and profit or loss of the Association. In addition to quantitative criteria like total assets and result after taxes also the effect of consolidation on specific positions as well as on the true and fair view of the consolidated financial statements for the Association is taken into account for the assessment of materiality. The calculation of the quantitative characteristics was based on the latest available financial statements of the companies and the Association's consolidated financial statements for 2022.

The complete list of companies included in the Association's consolidated financial statements, companies measured at equity, as well as the unconsolidated companies including detailed information, is shown at the end of the notes (see note 51), 52), 53), 54).

3) Accounting principles

The following accounting principles have been applied consistently.

The consolidated financial statements of the Association have been prepared based on at cost measurement excluding the following items:

- Derivative financial instruments – measured at fair value
- Financial instruments in the category at fair value through profit or loss and at fair value through other comprehensive income (OCI)
- Investment property – measured at fair value
- Financial assets and liabilities which constitute underlying instruments for fair value hedges – amortised costs are adjusted for changes in fair value, which are to be allocated to hedged risks
- Financial liabilities measured at fair value through profit or loss (fair value option)
- Deferred taxes – for temporary differences between tax and IFRS values, those amounts are recognised resulting in a future tax burden or relief at the time of inversion
- Employee benefit provisions – recognised at net present value less the net present value of plan assets

The two following chapters present amended and new accounting standards significant to the consolidated financial statements of the Association.

Status of implementation of IBOR reform

As at 31 December 2022, the CHF foreign currency receivables amount to euro 525.1 million (31.12.2021: euro 614.1 million), that is 2.3 % (31.12.2021: 2.8 %) of total loans and receivables (credit institutions and customers). By 31 December 2022, all CHF loans were switched to the alternative reference interest rate (SARON). Other foreign currencies are of minor importance.

For the accounting and valuation methods relating to COVID-19 and the effects of the war in Ukraine (impairments and post-model adjustments) please refer to note 50) Risk report b) Credit Risk.

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 2018 - 2020	01 Jan 2022	No
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	01 Jan 2022	No
Amendments to IFRS 3 - Reference to Conceptual Framework	01 Jan 2022	No
Amendments to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021	01 Apr 2021	No

Standards and interpretations to be applied in the future

Standard	Mandatory application	Significant effects on the Association
IFRS 17 - Insurance Contracts	01 Jan 2023	No
Amendments to IAS 1 and to IFRS guideline document 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 16 - Lease Liability in a Sale and Leaseback	01 Jan 2024	No
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	01 Jan 2024	No
Amendments to IAS 1 - Non-current Liabilities with Covenants	01 Jan 2024	No
Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture	open	No

a) Initially applied standards and interpretations

No significant effects on the consolidated financial statements of the Association have resulted from the application of the standards and interpretations to be applied for the first time.

b) Standards and interpretations to be applied in the future

IFRS 17 Insurance Contracts

The standard regulates the accounting of insurance contracts. IFRS 17 replaces the previously applicable transitional standard IFRS 4. The scope of the standard covers insurance contracts, reinsurance contracts, as well as capital investment contracts with discretionary profit participation. Under IFRS 17, insurance contracts are measured according to the general model as a matter of principle, determining the performance value and the contractual service margin for a group of insurance contracts upon first-time recognition. Depending on what the changes of the underlying parameters refer to, either the underwriting result or the underwriting income/expenses will be affected within the scope of subsequent valuations, or an adjustment of the contractual service margin may initially occur that will affect the income statement only in subsequent periods. The first-time application of IFRS 17 will not have any effect on the consolidated financial statements of the Association, as no relevant insurance contracts are held.

Disclosure of accounting and valuation methods (amendments to IAS 1 and to IFRS guideline document 2)

The amendments to IAS 1 and to IFRS guideline document 2 are meant to assist the originator in deciding which accounting and valuation methods they must disclose in the financial statements. Companies are now required to disclose essential information regarding accounting and valuation methods and need no longer indicate their significant accounting and valuation methods. The first-time application of the amendment described above will not have any material effect on the consolidated financial statements of the Association.

Definition of accounting-related estimates (amendments to IAS 8)

The amendments to IAS 8 are meant to help distinguish between accounting methods and accounting-related estimates. In this context, the definition of a change of accounting-related estimates is replaced by a definition of accounting-related estimates. According to the new definition, accounting-related estimates are monetary amounts in the financial statements that are subject to valuation uncertainties. The change of an accounting-related estimate resulting from new information or new developments does not constitute the correction of a mistake. The first-time application of the amended definition of accounting-related estimates will not have any material effect on the consolidated financial statements of the Association.

Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The amendment to IAS 12 restricts the scope of application of the exemption according to which no deferred tax assets or deferred tax liabilities need to be recognised at the time of addition of an asset or a liability. If deductible and taxable temporary differences simultaneously occur in the same amount in the course of a transaction, they are no longer subject to the exemption, so that deferred tax assets and deferred tax liabilities must be recognised. The first-time application of the amendment to IAS 12 will not have any material effect on the consolidated financial statements of the Association.

Lease liability in a sale and leaseback (amendments to IFRS 16)

The amendment includes requirements for the subsequent valuation of leases within the scope of a sale and leaseback (SLB) with variable leasing payments at the seller-lessee. It regulates the development of lease liabilities where variable leasing payments were taken into account upon initial recognition. Basically, the effect of the amendment is that the variable leasing payments expected at the beginning of the term must be taken into account during the subsequent valuation of lease liabilities within the scope of an SLB.

Classification of liabilities as current or non-current and non-current liabilities with covenants (amendments to IAS 1)

The amendments to IAS 1 are meant to clarify the criteria for the classification of liabilities as current or non-current. In future, exclusively “rights” existing at the end of the reporting period shall be decisive for the classification of a liability. Moreover, complementary guidelines for interpreting the criterion “right to defer the discharge of the liability by a least 12 months” as well as explanations on the “discharge” characteristic were included. Another amendment with respect to the classification of liabilities as current or non-current makes clear that only covenants that a company must fulfil on or prior to the reporting date will influence said classification. However, companies must disclose information in the notes that enable the recipients of the financial statements to understand the risk that non-current liabilities with covenants might become repayable within twelve months. The first-time application of the amendment to IAS 1 will not have any material effect on the consolidated financial statements; however, additional disclosures may be required due to existing covenants.

c) Accounting and valuation methods regarding ESG risks

ESG (Environmental Social Governance) risks refer to operational risk events or conditions affecting the climate, the environment, social affairs or corporate governance, the occurrence of which might negatively impact on the value of assets or on the net assets, financial position and earnings situation, as well as the reputation of the issuer and/or the Association of Volksbanks. ESG risks arise because climate, environmental, social and governance concerns may affect counterparties, customers and other contractual partners of the issuer and/or the Association of Volksbanks. ESG risks were not included as a separate risk type, but were mapped within the existing risk types.

A separate scoring system was developed for assessing the risks associated with ESG factors at the level of the individual borrower, which is applied to Corporate and Real Estate customers depending on credit exposure. After the assessment of soft facts by the account manager, the risks associated with ESG factors as well as the risk mitigating measures taken by the customer are measured within the scope of an ESG score. The soft facts matched to the customer segments comprise all three risk aspects (Environmental, Social and Governance). An assessment of the risks associated with ESG factors takes place within the scope of the lending and monitoring processes.

The methods, models and strategies used for ESG risks will be continuously developed over the next years and are meant to contribute to successively measuring inherent ESG risks more accurately. More information regarding ESG risks is shown in note 50) Risk report.

As at 31 December 2022, as in the previous year, the Association of Volksbanks has not invested in any bonds or loans or issued any bonds whose contractual cash flows are dependent on the fulfillment of certain contractually defined ESG targets.

d) Application of estimates and assumptions

Information about assumptions and estimation uncertainties as at 31 December 2022 that may be associated with a significant risk of causing a material adjustment to the carrying amounts of recognised assets and liabilities within the next financial year is included in the following disclosures:

- Disclosure (see note 11) 22): The recognition of deferred tax assets is based on the assumption that sufficient taxable income will be generated in the future to utilize the existing loss carry-forwards; where appropriate, no deferred tax assets are recognised. At the beginning of 2022, the legislator decided to gradually reduce the corporate income tax rate in Austria from 25 % to 23 %. The tax will be reduced by one percent as of 1 January 2023, and by one percent as of 1 January 2024.
- Disclosure (see note 17): The assessment of the recoverability of investment properties is based on forward-looking assumptions.
- Disclosure (see note 19): Different valuation models are used for the valuation of the investments.
- Disclosure (see note 31): For the valuation of existing social capital obligations, assumptions are used for interest rate, retirement age, life expectancy and future salary increases.
- Disclosure (see note 50) Risk report): The basis for determining expected credit losses is provided by scenarios relating to the expected cash flows of the debt instrument. Thus, in order to determine the impairments, assumptions and projections must be made regarding the payments still to be received from the borrower or from the realisation of the collaterals, and the probability of occurrence of the respective scenario must be estimated.

Information about judgments made in the application of accounting policies that have a significant effect on the amounts recognised in the financial statements is disclosed in the following notes:

- Disclosure (see note 3)n): Derecognition and modification of a financial asset.
- Disclosure (see note 3)p) as well as note 50) Risk report): classification of financial instruments for measuring the amount of expected credit losses (valuation of the business model, SPPI assessment, tier allocation) as well as determining the methodology for considering forward-looking information and selecting models and scenario weightings to measure expected credit losses.

e) Consolidation principles

These Association financial statements are based on consolidated financial statements prepared in accordance with IFRS and single-institution financial statements of the included entities prepared in accordance with the regulations. The figures reported in the individual financial statements of associated companies measured at equity have been adjusted to group accounting principles where the effects on the consolidated financial statements were significant.

The financial statements of the fully consolidated companies and the companies consolidated using the equity method were prepared on the basis of the reporting date of 31 December 2022.

Owing to the lack of an ultimate controlling parent company, the equity components reported in the financial statements, converted in accordance with the relevant principles of the credit institutions, included, as stated in the list of companies in section 53), are aggregated. When aggregating the included companies' investments in Volksbanks and VBW, the aggregated carrying amounts of the investments are deducted from the aggregated equity components. Consolidation 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. Cooperative shares of the member credit institutions are reported under total nominal value of members' shares.

Business combinations with a contract date on or after 31 March 2004 are accounted for using the purchase method set out in IFRS 3. Accordingly, all identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. If the cost of acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, goodwill is recognised as an asset. The full goodwill method is not in use. Goodwill is not amortised over the estimated useful life, but instead is tested for impairment annually in accordance with IAS 36. Negative goodwill is recognised directly in income in accordance with IFRS 3 after re-examination. Any change in contingent consideration recognised as a liability at the acquisition date is recognised in profit or loss. Transactions, which do not lead to a loss of control of the Association, are recognised directly in equity with no impact on profit or loss.

Subsidiaries under the direct or indirect control of the Association are fully consolidated if these are material for a true and fair view of the net assets, liabilities, financial position and profit or loss of the Association. Companies in which the Association holds an equity interest of between 20 % and 50 % and for which controlling agreements do not exist are consolidated using the equity method; they are not consolidated if they are not significant for the Association.

Loans and other receivables, provisions and liabilities, as well as contingent assets and liabilities arising from relationships between the companies included in the consolidated financial statements of the Association, as well as relevant accruals, have been offset within the scope of debt consolidation. Income and expenses between Group companies are eliminated in the course of the consolidation of expenditure/income, intragroup profits and losses are eliminated in the course of the elimination of intragroup profits and losses.

f) Currency translation

In accordance with IAS 21, foreign currency monetary assets and debts, non-monetary positions stated at fair value and unsettled spot transactions are translated using the spot exchange mean rate, whereas unsettled forward transactions are translated at the forward exchange mean rate prevailing on the balance sheet date. Non-monetary assets and liabilities carried at amortised cost are recognised at the prevailing rate on the acquisition date.

The individual financial statements of foreign subsidiaries prepared in currencies other than the euro are translated using the modified closing rate method set out in IAS 21. Under this method, all assets and liabilities are translated at the spot exchange mean rate effective on the balance sheet date, while the historical rate is applied for the translation of equity. Differences resulting from this translation are recognised in the currency translation reserve in equity. Any goodwill, disclosed hidden reserves and liabilities arising from the initial consolidation of foreign subsidiaries prior to 1 January 2005 have been translated at historical rates. Any goodwill, disclosed hidden reserves and liabilities arising from business combinations after 1 January 2005 are translated at the spot exchange mean rate. No foreign subsidiary in a foreign currency was included in the consolidated financial statement as of 31 December 2022.

Income and expense items are translated at the average spot exchange mean rate for the reporting period, calculated on the basis of the end-of-month rates. Exchange differences between the closing rate applied for the translation of balance sheet items and the average rate used for translating income and expense items are recognised in the currency translation reserve in equity.

g) Net interest income

Interest income and interest expenses are recognised on an accrual basis in the income statement. Current or nonrecurring income or expenses similar to interest, such as commitment fees, overdraft commissions or handling fees, are reported in net interest income in accordance with the effective interest method. Premiums and discounts are amortised over the term of the financial instrument using the effective interest method and reported in net interest income.

The unwinding effect resulting from the calculation of the risk provision is shown in interest income.

Net interest income consists of:

- Interest and similar income from credit and money market transactions (including unwinding effect from risk provisions)
- Interest and similar income from fixed-income securities
- Interest and similar expenses for deposits
- Interest and similar expenses for debts evidenced by certificates and subordinated liabilities
- The interest component of derivatives reported in the banking book
- Interest expenses from leases
- Modifications of financial assets, if they are due to market-induced contract modifications

Interest income and interest expenses from trading assets and liabilities are recognised in net trading income.

h) Risk provision

The risk provision item includes movements of the impairments reported and risk provisions for financial assets (measured at amortised cost or at fair value through OCI) as well as for off-balance sheet obligations (essentially loan commitments and financial guarantees) based on the IFRS 9 impairment model of expected credit losses. Moreover, direct write-offs of receivables and receipts from receivables written off already are reported in the risk provision item. Gains or losses from modifications of financial assets are equally recognised in this item, if said modifications are related to credit rating.

i) Net fee and commission income

This item contains all income and expenses relating to the provision of services as accrued within the respective reporting period. Commissions and fees for services provided over a certain period of time are collected throughout the relevant period. This includes fees and commissions from lending business and clearing business, liability commissions as well as custody and management fees. However, commissions or fees for transaction-based services provided to third parties are collected upon completion of service provision. Essentially, this concerns the procurement of insurance policies, building loan contracts and loans as well as securities transactions. In those instances where an associated financial instrument exists, any commissions that are an integral component of the effective interest rate are shown as part of interest income.

j) Net trading income

All realised and unrealised results from financial instruments and investment properties, foreign currency positions and derivatives held for trading (assets and liabilities held for trading) are reported in this item. This includes changes in market value as well as all interest income, dividends and refinancing expenses for assets held for trading. Results from the daily measurement of foreign currency positions are also reported in net trading income.

k) Result from financial instruments and investment properties

The result from financial instruments and investment properties consists of:

- Realised gains and losses from disposal of financial instruments
- Valuation gains and losses of financial instruments
- Result from hedge accounting
- Result from other derivative financial instruments
- Income from equities and other variable-yield securities
- Income from investments in unconsolidated affiliates, from investments in companies with participating interest and other participations
- Income from operating lease and investment properties

Results from disposals of financial assets measured at amortised cost or debt instruments measured at fair value through OCI (with recycling) are shown in the realised gains and losses from sale of financial instruments and investment properties. In case of derecognition of debt instruments measured at fair value through OCI, a reclassification from fair value reserve – debt instruments to the income statement takes place.

The fair value changes of financial assets measured at fair value through profit or loss and of financial liabilities where the fair value option is applied are reported in valuation gains and losses of financial instruments.

l) Other operating result

This item contains the result from the derecognition of tangible and intangible assets, allocations to and releases of provisions, impairments of goodwill, valuations of IFRS 5 disposal groups and the deconsolidation result from the disposal of subsidiaries as well as taxes and constitutions for banking business and all other operating activities.

m) General administrative expenses

General administrative expenses contain all expenditure incurred in connection with the business operations of the companies included in the financial statements.

Staff expenses include wages and salaries, statutory social security contributions and fringe benefits, payments to pension funds and internal pension plans, as well as all expenses resulting from severance and pension payments.

Administrative expenses include expenses for office space, office supplies and communication, advertising, PR and promotional expenses, expenses for legal advice and other consultancy, training, IT expenses and the contribution to the deposit guarantee.

Depreciation, impairment and reversal of impairment of intangible and tangible assets – excluding impairment of goodwill – are also reported in this item.

n) Financial assets and liabilities

A financial asset or a financial liability is initially recognised in the balance sheet when the Association becomes party to a contract on the financial instrument and thus acquires the right to receive, or assumes a legal obligation to pay, liquid funds. Financial assets and liabilities are recognised or derecognised on the trading day. The trading day is the date when the Association undertakes to buy or sell the assets concerned, respectively to issue or redeem the financial obligations.

The Association classifies its financial assets and liabilities using the following categories. Upon initial recognition, financial instruments must be measured at fair value. In case of financial instruments that are not measured at fair value through profit or loss directly attributable transaction costs that increase the fair value of financial assets or decrease it when a financial liability is established must also be included in the fair values as incidental acquisition costs. Pursuant to IFRS 13, the fair value is defined as the current exit value. This is the price that market participants receive or pay within the scope of an ordinary transaction for the sale of an asset or transfer of a liability. The fair value is either a price determined on an active market or is determined using valuation models. The input parameters relevant for the respective valuation model may either be directly observable in the market or, if not observable in the market, determined by expert estimate. During subsequent measurement, financial instruments are recognised in the balance sheet either at amortised cost or at fair value, depending on the respective category.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method, unless the option of measuring them at fair value through profit or loss (fair value option) is exercised. For first-time recognition, the option is exercised on a voluntary and irrevocable basis in the valuation category ‘measured at fair value through profit or loss’, if this enables any measurement or recognition inconsistency to be avoided or reduced significantly. Beyond that, financial liabilities may be designated as ‘measured at fair value through profit or loss’, if a group of financial liabilities or a group of financial assets and financial liabilities is controlled on the basis of their fair values and if their performance is measured on the basis of their fair values.

Derecognition and modification

Basically, a financial asset is derecognised on the date on which the contractual rights to its cash flows expire. The regulation for the derecognition of bad debts is described in note 3) o). A financial liability is derecognised once it has been redeemed, i.e. when the liabilities agreed in the contract have either been settled, cancelled or expired.

The Association conducts transactions in which financial assets are transferred, but the risks or rewards incident to the ownership of the asset remain with the Association. If the Association retains all or substantially all risks and rewards, the financial asset is not derecognised, but instead continues to be reported in the balance sheet. Such transactions include for example securities lending and repurchase agreements.

A financial asset is deemed modified whenever its contractual cash flows are renegotiated or otherwise adjusted. Renegotiation or modification may result from market-driven commercial components or frustration, due to a borrower in financial difficulties. Contract modifications may, but need not necessarily, lead to the derecognition of the old and recognition of the new financial instrument. To assess the economic substance and financial effect of such contract modifications, qualitative derecognition criteria – change of debtor, change of currency, change of cash flow criterion, and change of collateral – were defined. A deviation of more than 10 % from the gross carrying amount of the asset immediately prior to adjustment, in relation to the present value of the modified cash flows (discounted using the effective interest rate before modification), was determined to be the quantitative criterion. Accordingly, a change of the present value of up to 10 % will not result in derecognition but must be shown separately in the result.

A contract amendment may either relate to creditworthiness (e.g. a borrower gets into financial difficulties) or be market-induced (e.g. competitive pressure). The distinction is relevant for accounting treatment:

- changes in the contract due to changes in creditworthiness must be recognised in the risk result
- market-induced contract changes are to be recorded in net interest income

A non-exhaustive catalogue helps account managers to classify the modifications into creditworthiness-related and market-induced modifications.

Offsetting

Financial assets and liabilities are set off and the net amount is presented in the balance sheet only if the Association has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Association's trading activities.

Measured at amortised cost

Amortised cost of financial assets and liabilities is defined as the amount consisting of the original purchase price adjusted for account redemptions, the amortisation of premiums or discounts over the term of the instrument in accordance with the effective interest method and value adjustments or depreciation due to impairment or uncollectibility.

Measured at fair value through profit or loss

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For the calculation of fair values, the following hierarchy is used and shows the meaning of the single parameters.

Level 1: Quoted prices in active markets of identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable data – either directly as prices or indirectly derived from prices. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, as well as reference to the current fair value of other instruments that are substantially the same. For discounted cash flow analyses and option pricing models all important parameters are derived either directly or indirectly from observable market data. All factors that market participants would consider in setting prices are taken into account and are consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Level 3: Measurement methods that largely use parameters which are not observable on the market. These parameters have a significant impact on the calculation of fair value. This category also contains instruments which are measured by adjusting non-observable inputs, provided such adjustment is considerable.

The valuation methods are realigned periodically and checked for validity, using prices of current observable market transactions or prices based on available observable market data for the same financial instrument. The fair value measurement of the loans is still effected by way of a discounted cash flow method, discounting the cash flows calculated on the basis of forward rates with the risk-free interest curve including an additional charge. This additional charge was remodelled and now consists of risk costs, liquidity costs and a collective position for all pricing parameters (epsilon) not taken into account. The risk-free interest curve is derived from market data. The liquidity cost curve is modelled based on market data. The risk cost curve is deducted from the rating or the probability of default. The constant epsilon is calibrated in such a way that a transaction will not generate any fair value gain/loss at the time of conclusion.

Interest, dividends as well as related fee and commission income and expense of financial assets and liabilities in the banking book, which are measured at fair value through profit or loss, are shown in the respective positions in the income statement. Valuation gains and losses are shown separately in result from financial instruments and investment properties.

Derivative financial instruments

Derivative financial instruments are measured at fair value through profit or loss.
For fair value calculation, credit value adjustments (CVA) and debt value adjustments (DVA) are taken into account. Counterparty risk for fair values arising from unsecured derivatives is taken into account by means of CVA or DVA - approximating the potential future loss relating to counterparty default risk. The expected future exposure (EFE) is calculated using the Monte Carlo simulation. As no observable credit risk spreads are available for these counterparties on the market, the probabilities of default for the counterparties are based on internal ratings of the Association.

Changes in the market value of derivative financial instruments which are used for a fair value hedge are immediately recognised in the income statement, under result from financial instruments and investment properties. The change in market value of the underlying transaction resulting from the hedged risk is also recognised under result from financial instruments and investment properties, regardless of its allocation to individual categories under IFRS 9. Fair value hedges are used to hedge interest rate risks and currency risks arising from fixed-income financial investments and liabilities, as well as foreign currency receivables and liabilities.

In case of cash flow hedges, the change in fair value of the derivative is recognised immediately in the hedging reserve in OCI, taking into account deferred taxes. The ineffective part of the hedge is recognised in the income statement. The underlying transaction is measured depending on its allocation to the individual categories.

Embedded derivatives that are subject to separate reporting are measured regardless of the financial instrument in which they are embedded, unless the structured financial instrument is designated at fair value through profit or loss. In case of hybrid financial instruments containing embedded derivatives, the SPPI criterion must be verified based on the entire hybrid contract, without separating embedded derivatives from the underlying contract.

Own equity and debt instruments

Own equity instruments are measured at cost and deducted from equity on the liabilities side. Repurchased own issues are deducted from issues at their redemption amounts on the liability side of the balance sheet. The difference between redemption amount and acquisition cost is reported in the item other operating result.

o) Loans and receivables credit institutions and customers

Loans to and receivables from credit institutions and customers are recognised on balance as soon as the Association becomes contracting party. Loans and receivables are initially recognised at fair value plus all directly attributable transaction costs. Subsequent measurement is performed at amortised cost, under the prerequisite that the SPPI criterion (cash flows of the financial instrument only consist of interest and redemption payments of the outstanding principal amount) is met. Interest income is calculated according to the effective interest method. If the SPPI criterion is not met, the financial instrument is measured at fair value through profit or loss.

Under IFRS 9, the gross carrying amount of receivables is reduced if it cannot reasonably be expected to be realisable. Therefore, the decisive criterion for the derecognition of receivables is their irrecoverability. Receivables must be derecognised completely if all prerequisites are met – if no recoverable collaterals exist for the receivables concerned, no other assets of the debtor are known, and if alternatively the debtor has not paid in spite of being ordered to do so and in spite of levy of execution, if the debtor is insolvent, unless there is any clear perspective of a dividend in bankruptcy, or in case of hopelessness of execution.

p) Risk provision

Based on individual and collective evaluation risk provisions are effected for the special risk of banking business. Risk provisions for off-balance risks are reported under provisions.

Impairments

The impairment model pursuant to IFRS 9 is based on statistically calculated parameters, such as historical default and loss ratios. The methods and parameters used are validated regularly in order to approximate the estimated and actual defaults and losses. The process for determining the impairment is computer-aided, using an impairment tool specifically developed for the purpose. For further details please refer to note 3) n), 3) o) and 50) Risk report b) Credit risk.

Impairments are based on expected credit losses (ECL) and are calculated using probability-weighted future cash flows. The essential model parameters for the measurement of ECL are the term-based probability of default (PD), the term-based loss given default (LGD), and the exposure at default (EAD). The difference between contractually agreed cash flows and anticipated cash flows is recognised as impairment.

Scope

The impairment model must be applied to the following financial instruments:

- Financial assets measured at amortised cost
- Financial assets mandatorily measured at fair value through OCI
- For purchased or originated credit-impaired financial assets (POCI) where the estimated loss amount has changed since addition, this is reported in risk provision using the credit risk-adjusted effective interest rate.
- Impairments are reported as provisions for irrevocable loan commitments and financial guarantees.

Impairments on debt instruments measured at fair value through profit or loss, as well as on equity instruments must be recognised as part of the fair value changes in the income statement or in OCI.

General approach

For the purpose of measuring the amount of anticipated credit losses, financial instruments are divided into three stages.

Stage 1 includes all financial instruments that have not shown any significant increase in default risk since first-time recognition (except for financial assets already impaired at the time of acquisition or granting). The impairment is recognised in the amount of 12-month ECL.

Stage 2 includes all financial instruments showing a significant increase in default risk since first-time recognition. The impairment recognised is equivalent to lifetime ECL.

A significant increase in credit risk is measured primarily on the basis of a rating deterioration. Additionally, default of performance of at least 30 days, classification as forborne or the customer’s transfer to intensive supervision are interpreted as a significant increase in credit risk.

Stage 3 comprises financial instruments that meet the definition of default. The definition of default within the Group corresponds to the requirements of CRR I Art. 178. The impairment recognised is equivalent to lifetime ECL.

Options

- The option regarding the low credit risk exemption – that is the option available for low-risk instruments to start out from the assumption that the risk of default has not increased significantly since first-time recognition – is exercised. The relevant instruments include loans and receivables customers and securities with a rating in the investment grade range. In case of securities with several external ratings, the second best rating is used. In this way, we can ensure that at least two rating agencies provide the issuer with an investment grade rating.
- The option to choose a simplified procedure for trade receivables and contractual assets pursuant to IFRS 15 with a significant financing component, as well as lease receivables was not exercised, as such receivables are of minor importance within the VBW Group.

Information regarding the calculation logic

The calculation logic may be described according to the following 6 dimensions:

- Time horizon: The expected losses are calculated either for a 12-month period or for the entire residual term.
- Individual or collective perspective: The calculation of the impairment at individual transaction level usually takes place for customers at stage 3 with a certain minimum exposure. While for all other items, the calculation is carried out for each transaction individually as well, the parameters used (PD, LGD, etc.) are derived from portfolios/groups with the same risk characteristics.
- Scenario analysis: The impairment is determined on the basis of at least two probability-weighted scenarios for all stages.
- Expected cash flows: The estimated expected cash flows are subject to certain requirements (determination of collaterals cash flows, cash flows from current operations, etc.)
- Time value of money: The expected loss includes the “time value of money” and accordingly constitutes a discounted value.
- Taking into account available information: for the purpose of calculating the impairment, debtor-specific, transaction-specific and macroeconomic information about past events, current conditions and forecasts about the future are taken into account within the scope of the PD, LGD and cash flow models applied.

According to the instructions contained in the Group credit risk manual, customers with an internal rating of 4C to 4E (watchlist loans) and all other customers where other indications for an increased default risk exist, i.e. where repayment according to the contract appears jeopardised, are subjected to a more thorough examination.

For more detailed information about the impairment model, please refer to note 50) Risk report b) Credit risk.

q) Assets and liabilities held for trading

Assets held for trading include all financial assets with a view to short-term sale or forming part of a portfolio which is intended to yield short-term profit. Assets and Liabilities held for trading comprise all positive and negative fair values of derivative financial instruments that meet the regulatory requirements of the trading book. These items do not include financial assets and liabilities that fall into the category at fair value through profit or loss. Derivative financial instruments that are used as hedging instruments to manage interest rate risks in the regulatory banking book are presented in the position other assets or other liabilities.

Both initial recognition and subsequent measurement are effected at fair value through profit or loss. Transaction costs are expensed as incurred. All changes in fair value and all interest income, dividend payments and refinancing costs attributable to the trading portfolio are reported in net trading income.

r) Financial investments

Financial investments comprise all securitised debt and equity instruments not classified as participations. Equity instruments are made up of shares of stock for the major part, without any relevance to the core business of the Associaition of Volksbanks, with optimisation of returns being of primary importance. Financial investments are initially recognised at fair value plus incremental direct transaction costs.

Classification of securitised debt instruments

Securitised debt instruments are classified in three measurement categories: measured at amortised cost, measured at fair value through profit or loss, measured at fair value through OCI. Classification is performed based on the business model criterion on the one hand, and on the SPPI-criterion on the other hand.

Measured at amortised cost

The group of financial investments measured at amortised cost comprises financial assets that only provide for the claim to interest and redemption payments at given points in time (SPPI-criterion) and are held within the scope of a business model for the purpose of holding assets. Valuation is effected at amortised cost, with interest income being calculated according to the effective interest method.

Measured at fair value through profit or loss

Financial investments that cannot be allocated to either the Hold to collect or Hold to collect and sell business model fall into the category measured at fair value through profit or loss. Moreover, financial investments with contractual terms (contractual cash flows) that do not only represent redemption and interest payments on the outstanding principal, and therefore risks or fluctuations being not immaterial, are also allocated to this category.

Measured at fair value through OCI

Financial investments are measured at fair value through OCI if the asset was allocated to the business model Hold to collect and sell and if the contractual features of the financial asset only provide for interest and redemption payments at predefined points in time (SPPI-criterion).

Classification of equity instruments

Equity instruments are measured at fair value through profit or loss. Upon initial recognition, however, an irrevocable option (OCI option) may be exercised, individually for each instrument. This option only applies to financial instruments that are not held for trading and do not constitute a conditional consideration, which are recognised by an acquirer within the scope of a business combination under IFRS 3. If the option is exercised, all changes to the fair value are reported in OCI (except for dividends, which are reported through profit or loss). Gains or losses reported in OCI can never be reclassified from equity to the income statement.

s) Investment property

All land and buildings, that meet the definition of investment property as set out in IAS 40 are reported at fair value. Annual measurement is essentially based on RICS standards (Royal Institution of Chartered Surveyors). Following IFRS 13, the RICS defines fair value as the estimated amount for which an investment property could be sold on the date of valuation by a willing seller to a willing buyer in an arm's-length transaction in normal business operations, wherein the parties had each acted knowledgeably, prudently and without coercion. These calculations are earnings calculations, most of which are prepared following the discounted cash flow method based on current rent lists and lease expiry profiles. They are subject to assumptions regarding market developments and interest rates. The returns used are defined by the appraiser and reflect the current market situation as well as the advantages and disadvantages of the specific property.

The real estate portfolio is valued mainly by external appraisers who are selected, among others, based on proven professional qualification and experience of the locations and categories of property being valued. External appraisals were obtained essentially from IMMO-CONTRACT Maklerges.m.b.H. External appraisers are paid a fixed fee which does not depend on the appraised market value of the property.

Since parameters are used to measure investment property which are not based on market information, investment property is classified in Level 3 of the fair value hierarchy. The assumptions and parameters used in the valuation are updated on every valuation date.

Tenancy agreements are in place with commercial and private lessees; these vary owing to the diversity of the portfolio. These tenancy agreements generally have longer terms of up to 10 years and are secured with deposits. Adjustments to indexes in line with the market are taken into account. Rents are not linked to revenue. Purchase options have been granted for some properties.

Rental income is recognised on a straight-line basis in accordance with the term of the respective contracts and reported in the result from financial instruments and investment properties.

t) Participations and companies measured at equity

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

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

To the extent that the discounted cash flow method is applied, the discount rates used are based on the respective current recommendations of the Fachsenat der österreichischen Kammer der Wirtschaftstreuhänder as well as of international financial data service providers and, in the 2022 financial year, range between 9.2 - 12.9 % (2021: 7.0 - 10.1 %).

The market risk premium used for the calculation is 8.1 % (2021: 8.3 %), the beta values used range between 0.9 - 1.3 (2021: 0.8 - 1.2). Additional country risks did not have to be considered. Discounts due to fungibility and exercise of control in the amount of 10 % in each case are effected for two participating interests.

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

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

u) Intangible and tangible assets

Intangible assets are carried at cost less straight-line amortisation and impairment. This item primarily comprises acquired goodwill, customer relationships and software.

Goodwill is not depreciated on a straight-line basis, but instead is tested for impairment at least once a year in accordance with IAS 36, or more frequently if events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for the cash-generating units (CGUs) to which goodwill is allocated. Impairment requirements for CGUs are calculated by comparing carrying value with their realisable value. Where realisable value is less than the carrying value, the difference is recognised as an impairment expense. Impairment of goodwill may not be reversed. Tangible assets are carried at cost and depreciated on a straight-line basis over their estimated useful life in the case of depreciable assets.

Rights of use

On the commencement date a right of use is recognized by the lessee for the lease object in the balance sheet at acquistion costs. The cost of acquisition is made up as follows:

- Lease liability
- Lease payments made upon or prior to provision of the lease object, less lease incentives received
- Initial direct costs
- Any obligations to restore the object to its original condition, if applicable

Subsequent measurement is performed at amortised cost. Rights of use are depreciated on a straight-line basis over the contract period. For low-value lease objects and for short-term leases (< 12 months), use is made of simplified application, with payments are recognised as expenses on a straight-line basis. For contracts that contain lease components as well as non-lease components, in the area of branches, use is made of the option to waive any separation of these components.

For existing leases, an assessment is effected on an ongoing basis as to whether any significant parameters have changed and if this has any effect on the amount of the lease payments or the term of the lease. In cases of rent index adjustments, the lease liability is revalued. If, for instance, any adjustments to the rental index occur, the lease liability will be assessed anew. The newly determined present value will increase or reduce the original liability. As a rule, these adjustments must be effected to the right of use in the same amount.

Write-offs are recognised for permanent impairment. If the circumstances resulting in the recognition of a write-off cease to exist, the write-offs are reversed up to a maximum of amortised cost.

The useful life is the period of time during which an asset is expected to be used and is calculated as follows:

Office furniture and equipment	up to 10 years
EDP hardware (including calculators, etc.)	up to 5 years
EDP software	up to 4 years
Vehicles	up to 5 years
Customer relationship	up to 20 years
Strongrooms and safes	up to 20 years
Buildings, reconstructed building	up to 50 years
Rights of use	up to 41 years

v) Tax assets and liabilities

Both current and deferred income tax assets and liabilities are reported in these items.

Under IAS 12, tax deferral is determined according to the balance sheet liability method. Deferred taxes are derived from all temporary differences between the tax base of an asset or a liability and its carrying amount in the financial statements prepared in accordance with IFRS. For subsidiaries, deferred taxes are calculated on the basis of the tax rates that apply or have been announced in the individual countries on the balance sheet date. Deferred tax assets are offset against deferred tax liabilities for each individual subsidiary.

Deferred tax assets are recognised for, among other things, unused tax loss carryforwards if it is probable that sufficient taxable profits will be available in the same company in the future or if there are sufficient taxable temporary differences. The assessment period for the recognition of deferred tax assets for unused tax loss carryforwards is four years. Deferred tax assets on loss carryforwards, other assets or liabilities whose realisability is not sufficiently assured are not recognised. Deferred taxes are not discounted.

w) Other assets

Deferred items are used for accruing income and expenses and are shown in this item together with other assets. Value adjustments are recognised for impairments. This item also includes all positive fair values of derivatives that are used to mangage interest rate risks in the ivestment book. With the exception of derivatives used in cash flow hedges, which are taken directly to other comprehensive income, changes in fair value are reported in the result from financial instruments and investment properties.

x) Assets and liabilities held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are customary and usual for sale of such assets (or disposal groups) and its sale must be highly probable.

These criteria are fulfilled if the necessary decisions by management bodies have been made, the assets can be sold without significant modification or restructuring, marketing of the assets has begun and there is either a binding offer or a signed contract on the balance sheet date with closing expected within the next 12 months. Loans repaid early by the borrower do not meet the definition of a sales transaction, even if a company within the Association initiates the early repayment by reducing the loan amount.

A disposal group comprises non-current assets held for sale, other assets and liabilities that are sold together in a single transaction. It therefore does not include liabilities that are repaid using the proceeds from sale of the disposal group but which are not transferred.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are reportable segments at the Association. A major line of business or geographical area of operations that is reported to the Managing Board and has a significant impact on the Association´s financial situation is presented as a discontinued operation if all the requirements are met. If the Association discontinues business activities in a particular country, this only constitutes a discontinued operation if certain size-related criteria are exceeded. If the Association discontinues business activities in an entire region, this always constitutes a discontinued operation regardless of the above-mentioned size criteria. A region is any area presented separately in the annual report in the regional allocation of total receivables to the strategic business fields.

After being classified as held for sale, non-current assets or groups of assets are reported at the lower of the carrying amount and fair value less cost to sell. Impairment expenses are recognised in profit or loss in other operating expenses.

Non-current assets or disposal groups and associated liabilities classified as held for sale are reported separately from other assets and liabilities in the statement of financial position.

In case of a discontinued operation, the result after taxes of the discontinued operation and the result after taxes recognised on the measurement to fair value less cost to sell or on the disposal of the assets or disposal groups constituting the discontinued operation are reported in the statement of comprehensive income. The previous year's income statement is to be adjusted accordingly.

y) Liabilities

The initial recognition of amounts owed to credit institutions and customers as well as debts evidenced by certificates is performed at fair value plus directly attributable transaction cost. Subsequent measurement is performed at amortised cost in accordance with the effective interest method, unless these liabilities were designated as liabilities at fair value through profit or loss. These are covered bonds (structured issues) of the Association of Volksbanks, which are reported under debts evidenced by certificates. Financial liabilities for which the fair value option was chosen, gains and losses arising from a change in the company´s own credit risk must be recognised in OCI. Any remaining valuation changes are shown in the income statement.

Lease liability

The present value of the lease liability is reported in the balance sheet on the date of provision of the lease object. The present value is determined on the basis of the contractual lease payments, the respective residual terms and the incremental borrowing rate. The lease payments include the following components:

- fixed lease payments, less lease incentives to be provided by the lessor
- variable payments linked to an index or interest rate
- expected residual value payments from residual value guarantees
- the exercise price of a purchase option, provided if the exercise of the option is estimated to be sufficiently certain

- any contractual penalties for terminating the lease, if the lease term takes into account, that a termination option is exercised

In the assesment of lease terms economic disadvantages are considered. Therefore the first option of termination will not be used when determing the lease terms.

Lease payments are discounted at the interest rate implicitly underlying the lease relationship, if it is possible to determine that interest rate. Otherwise discounting will be effected using the incremental borrowing rate.

In the course of subsequent measurement, the lease liability is increased by the interest expense to the outstanding amount and reduced by lease payments.

For existing leases, an assessment is effected on an ongoing basis as to whether any significant parameters have changed and if this has any effect on the amount of the lease payments or the term of the lease. In cases of rent index adjustments, the lease liability is revalued. If, for instance, any adjustments to the rental index occur, the lease liability will be assessed anew. The newly determined present value will increase or reduce the original liability.

z) Employee benefits

Payments to defined contribution plans are expensed as incurred. Irregular payments are allocated to the respective reporting period.

The Association of Volksbanks has made defined benefit commitments for individual staff members for the amounts of future benefits. These plans are partly unfunded, i.e. the funds required as cover are retained and the Association recognises the necessary provisions. These plans are funded exclusively by the Association. Employees are not required to make contributions to the plans. In previous years in the Association, staff pension entitlements reported as transferred assets - plan assets - were transferred to BONUS Pensionskasse Aktiengesellschaft. There are no extraordinary risks, risks specific to the company or plans, or significant risk concentrations.

For those pension obligations transferred to it, the BONUS Pensionskasse Aktiengesellschaft, has established a structured multi-stage investment process based on risk management considerations. In this context, the pension fund is subject to the requirements of the Austrian Pension Fund Act as well as the Austrian Financial Market Authority's (FMA) Risk Management Regulation (Risikomanagementverordnung) and regularly reports to various boards about the investment.

The risk-bearing capacity, the determination of Strategic Asset Allocation (SAA) as well as a limit system constitute the framework for investment. The investment decisions are based on a thorough-going analysis of markets, asset classes and products, the aim being to achieve a high level of diversification. Apart from monitoring limit utilisation, the risk management function calculates various risk indicators, such as value at risk (VaR) or tracking error, on a current basis. Additionally, scenario analyses are performed regularly for the purpose of evaluating the effects of infrequent extreme market movements.

The respective liabilities side obligations as well as the portfolio structure within the Veranlagungs- und Risikogemeinschaft (VRG; investment and risk association) are checked on a current basis in order to recognise any changes and long-term deviations from the best-estimate actuarial assumptions used. The same applies to the valuation of those obligations that have not been transferred. As standard, the SAA is checked for compatibility with risk-bearing capacity at least once a year or in shorter intervals if necessary. Within the scope of this SAA review, the investment structure is reconciled with the liabilities side, the portfolio information and the respective liquidity requirements. This review is performed by the Risk Management function in close collaboration with the investment team. The ranges of fluctuation resulting from fluctuations of the parameters included are calculated and monitored as part of sensitivity analyses in order to assess the impact of possible fluctuations on the assets side of the balance sheet in a timely manner.

In accordance with the projected unit credit method, provisions for pensions and severance payments are calculated on the basis of generally recognised actuarial principles for determining the present value of the overall obligation and additional claims acquired in the reporting period. For severance payments, this procedure takes into account retirement due to attainment of pensionable age, occupational incapacity, disability or death, as well as the vested rights of surviving dependents.

Actuarial gains and losses are recognised directly in other comprehensive income for pension and severance payment obligations. Past service cost is recognised immediately through profit or loss when the plan is amended. All income and expenses associated with defined benefit plans are recognised under staff expenses.

Parameters for calculating employee benefit obligations

	2022	2021	2020	2019
Expected return on provisions for pensions	3.80 %	0.30 %	0.30 %	0.30 %
Expected return on provisions for severance payments	3.80 %	0.40 %	0.40 %	0.40 %
Expected return on anniversary pensions	3.80 %	0.40 %	0.40 %	0.40 %
Expected return on plan assets	3.80 %	0.30 %	0.30 %	0.30 %
Future salary increase	3.80 %	2.50 %	2.50 %	3.00 %
Future pension increase	3.00 %	1.70 %	1.70 %	2.00 %
Fluctuation rate	none	none	none	none

The fundamental biometric actuarial assumptions of the latest Austrian scheme for calculating pension insurance for salaried employees are applied as the basis of calculation (AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung – Angestelltenbestand).

The current retirement age limits are generally taken into account in these calculations, it is assumed that employees will retire upon reaching standard pensionable age, which is 65 years for men and between 60 and 65 years for women.

The measurement of pension obligations includes legitimate claims of employees that are in active service at the measurement date, as well as the entitlements of current pension recipients. These entitlements are defined in special agreements and/or in the bylaws, and represent legally binding and irrevocable claims.

aa) Provisions

Provisions are recognised if a past event has given rise to a present obligation and it is likely that meeting such an obligation will result in an outflow of resources. They are established in the amount of the most probable future claims, taking into account cost estimates of contractual partners, experienced data and financial mathematical calculation methods. A contingent liability is reported if a potential obligation exists and an outflow of resources does not appear probable or no reliable estimate of the amount of the obligation can be made.

Risk provisions comprise loan loss provisions for contingent liabilities (in particular financial guarantees). Other provisions contain provisions for legal disputes, interest claims from loans with floors and restructuring. The allocation and release of risk provisions are recorded under risk provisions in the income statement. Discounting is carried out for risk provisions.

bb) Other liabilities

Deferred items are used for accruing income and expenses and are shown in this item together with other liabilities. This item also includes all negative market values of derivative financial instruments that are that are used to manage interest rate risks in the banking book. With the exception of derivatives used in cash flow hedges, which are taken directly to other comprehensive income, changes in fair value are reported in the result from financial instruments and investment properties.

cc) Subordinated liabilities

Subordinated liabilities are initially recognised at fair value plus directly attributable transaction cost. Subsequent measurement is performed at amortised cost using the effective interest method, unless these liabilities were designated at fair value through profit or loss.

In case of bankruptcy or the winding up of the enterprise, all amounts accounted for as subordinated liabilities may be satisfied after having met the demands of all other non-subordinated creditors.

In addition to subordination, the contractual terms for supplementary capital contain a performance-based interest payment. Interest may only be paid insofar as this is covered by annual net income before changes in reserves of the company issuing the capital. Supplementary capital interests also participate in any loss. The repayment amount is reduced by current losses. Repayment at nominal value is only possible if the proven losses are covered by profits.

dd) Equity

Financial instruments issued which do not involve a contractual obligation to transfer cash or another financial asset to another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer are reported in equity.

Capital management is done on the basis of the supervisory capital. For further details see chapter ff) own funds.

There is no ultimate parent company in the Association as the CO does not exercise control as defined by IFRS 10. The Association´s financial statements are therefore prepared on the basis of a group of companies which are legally independant entities, but under unified control without a parent company. The equity components of the non-controlled companies included are aggregated and the aggregated carrying amounts of the investments in these member companies are then subtracted. The remaining equity components are reported as equity under the relevant items. This type of consolidation does not result in any minority interests.

The Volksbanks' cooperative capital is reported separately under cooperative capital shares. According to IAS 32, cooperative capital is not eligible for inclusion as equity since it is "putable" – the holder may request redemption at any time, subject to a notice period. If, however, the redemption of shares is fully or partially prohibited, IFRIC 2 permits these shares to be classified as equity. Therefore, shares subject to this prohibition are recognised in subscribed capital. Shares that are redeemable at any time are reported as a separate item alongside equity, because these are included as tier I capital in eligible own funds and capital management takes place on the basis of regulatory capital.

ee) Reserves

The reserves item includes capital reserves, retained earnings and valuation reserves. In accordance with IAS 32, the transaction costs of an equity transaction are accounted as a deduction from equity, taking into account deferred taxes, to the extent that they constitute incremental costs that are directly attributable to the equity transaction. Furthermore, the difference between face value and repurchase value of own shares, as far as it is covered in capital reserves, is shown there. If the difference exceeds capital reserves, this amount is deducted from retained earnings.

All legal and statutory reserves as well as other reserves, provisions against a specific liability as defined by section 57 (5) of the Austrian Banking Act, untaxed reserves and all other undistributed profits are reported in retained earnings.

Currency reserves for currency conversions relating to foreign subsidiaries, the fair value reserve, the hedging reserve, and the revaluation reserve are reported as valuation reserves. Any deferred taxes are deducted from the reserves.

ff) Own funds

The company is subject to external capital requirements based on the European Union's CRD IV and CRR (Basel III). The rules on capital ratios specified there constitute the central management variable in the Association. These ratios reflect the relationship between regulatory own funds and credit, market and operational risk. Accordingly, the risk/return management of the Association is based on the capital allocated to one business or, ultimately, one organisational unit and the income to be generated from this, taking into account the corresponding risk considerations.

Credit risk is determined by multiplying on-balance-sheet and off-balance-sheet exposures based on their relative risks by the risk weighting to be allocated to a counterparty. The procedures for determining risk-relevant parameters (exposure, risk weighting) are based on percentages specified by regulatory requirements (standard approach). There is also an equity capital requirement for credit valuation adjustments in derivatives transactions. This is derived from regulatory requirements and, in particular, reflects the counterparty risk in the derivatives transaction. The market risk component of the Group is also calculated using the standard approach. The capital requirements for operational risk are calculated by multiplying the revenues by the respective percentages for the divisions.

Regulatory own funds can be broken down into three elements:

- Common equity tier I (CET1)
- Additional tier I (AT1)
- Supplementary capital or tier II capital (T2)

The first two components comprise the tier I capital.

CET1 comprises the equity and participation capital that meets the CRR requirements. These are as follows: classification as equity with separate disclosure in the accounts, perpetual, fully loss-bearing, no reduction in the principal amount except in the case of liquidation or repayment without particular incentive mechanisms, no obligation to make distributions, distributions not linked to the nominal price. Transition arrangements apply for existing participation capital that does not fulfil the CET1 criteria. In the period until 2021, this capital will be applied at a rate reduced by ten percentage points each year. From 2022, this capital will no longer be eligible at all. CET1 also includes capital reserves, retained earnings, other reserves and non-controlling interests used to meet the regulatory capital requirement. Intangible assets and goodwill, deferred tax assets and interests in other credit institutions constitute significant deductions.

Just like CET1 capital, AT1 capital is available for covering losses on an ongoing basis. Core requirement is the subordination, the sustainability of the capital provision and the full discretion of the issuer, whether distributions are made or not. Additionally, it must be possible to convert the instruments into CET1 capital, or to write them off, at the latest when the CET1 capital ratio falls below the threshold of 5.125 % in proportion to the risk positions (at the latest).

T2 also includes non-current subordinated liabilities.

The minimum equity ratio (total of tier I and tier II) is 8.0 %. Minimum core capital requirements are 4.5 % for CET1 and 6.0 % for tier I. The Association complied with these relevant supervisory requirements throughout the entire reporting period and its own funds exceeded the minimum requirements.

Apart from the minimum capital requirements pursuant to Article 92 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, the combined capital buffer requirements as defined in Article 128 (6) of Directive 2013/36/EU, as well as the Pillar 2 capital demands and recommendations from the Supervisory Review and Evaluation Process (SREP) must be taken into account for the Association of Volksbanks. Further explanations regarding the above-mentioned capital and buffer requirements are contained in note 50) Risk report.

Please refer to note 36) for the presentation of the regulator equtiy capital.

gg) Trustee transaction

Transactions where an affiliate of the Association acts as a trustee or in any other trusteeship function, thus managing or placing assets on a third-party account, are not shown in the balance sheet. Commission payments from such transactions are reported in net fee and commission income.

hh) Repurchase transactions

Under genuine repurchase agreements, the Association sells assets to a contractual partner and simultaneously undertakes to repurchase these assets at the agreed price on a predefined date. The assets remain in the consolidated balance sheet, as no risks or rewards are transferred, and they are measured in accordance with the rules applying to the respective balance sheet items. At the same time, the received payment is recognised as a liabilty.

ii) Contingent liabilities

Possible obligations where an outflow of resources does not appear probable or no reliable estimate of the amount of the obligation can be made, are reported under contingent liabilities. Provisions are recognised for acceptances and endorsements as part of provisions for risks if they are likely to be future claims.

Obligations arising from financial guarantees are recognised as soon as the Association becomes a contracting party, i.e. when the guarantee offer is accepted. Initial measurement of financial guarantees is performed at fair value. Generally, the fair value corresponds to the value of the premium agreed.

Guaranteed amounts from participations in cooperatives are reported under other contingent liabilities. A follow-up check is regularly performed in order to determine whether on-balance sheet recognition in the consolidated financial statements is necessary.

jj) Cash flow statement

The cash flow statement is calculated in accordance with the indirect method. Here, the net cash flow from operating activities is calculated based on the annual result after taxes and before minority interests, whereby non-cash expenses and income during the business year are included and deducted, respectively, first of all. Moreover, all expenses and income that were cash effective, but not allocated to operations, are eliminated. These payments are recognised under the cash flow from investing or financing activities. The interest, dividend and tax payments, which are stated separately in the cash flow statement, are solely from operating activities.

Cash flows from non-current assets, such as financial instruments, participations and intangible and tangible assets measured at cost are allocated to the cash flow from investment activity. The cash flow from financing activity includes all cash flows of the owners as well as redemption share of lease liability changes in subordinated capital and non controlling interests. Liquid funds have been defined as cash and cash equivalents and comprise balances with central banks as well as cash in hand. These balances are composed of the minimum reserve to be held according to statutory provisions and current investments with various central banks.

4) Net interest income

Euro thousand	2022	2021
Interest and similar income from	550,382	491,692
Deposits from credit institutions (incl. central banks)	18,768	20,486
Credit and money market transactions with credit institutions	18,130	2,970
Credit and money market transactions with customers	474,675	432,144
Bonds and other fixed-income securities	31,536	31,019
Derivative instruments	7,273	5,072
Interest and similar expenses for	-82,809	-85,829
Liquid funds	-13,512	-10,403
Deposits from credit institutions	-2,468	-2,080
Deposits from customers	-10,908	-10,085
Debts evidenced by certificates	-19,565	-18,932
Subordinated liabilities	-16,347	-14,905
Derivative instruments	-18,066	-20,651
Lease liabilities	-2,616	-2,740
Valuation result - modification	573	-5,958
Valuation result - derecognition	100	-74
Net interest income	**467,573**	**405,863**

Net interest income according to IFRS 9 categories

Euro thousand	2022	2021
Interest and similar income from	550,382	491,692
Financial assets measured at amortised cost	535,608	480,998
Financial assets measured at fair value through OCI	299	68
Financial assets measured at fair value through profit or loss - obligatory	7,201	5,553
Derivative instruments	7,273	5,072
Interest and similar expenses for	-82,809	-85,829
Financial liabilities measured at amortised cost	-62,570	-56,135
Financial liabilities measured at fair value through OCI	0	0
Financial liabilities measured at fair value through profit or loss - designated	-2,847	-3,011
Derivative instruments	-18,066	-20,651
Valuation result - modification	573	-5,958
Valuation result - derecognition	100	-74
Net interest income	**467,573**	**405,863**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 22,605 thousand (2021: euro 31,790 thousand) and interest expenses of euro 14,195 thousand (2021: euro 21,231 thousand) were realised in the 2022 business year. Negative interest income is reported in interest expenses and negative interest expenses are reported in interest income, so that all results from negative interest rates are shown gross.

Interest and similar income from financiel assets measured ar amortised cost and measured at fair value through OCI was calculated according to the effective interest rate method in the amount of euro 517,140 thousand (2021: euro 460,580 thousand).

5) Risk provision

Euro thousand	2022	2021
Changes in risk provision	-18,332	73,845
Changes in provision for risks	-4,452	10,535
Direct write-offs of loans and receivables	-14,644	-3,033
Income from loans and receivables previously written off	5,923	8,195
Valuation result modification/derecognition	203	-93
Risk provision	**-31,302**	**89,449**

6) Net fee and commission income

Euro thousand	2022	2021
Fee and commission income	279,312	277,340
Lending business	18,134	19,103
Securities and custody business	95,306	101,019
Payment transactions	119,098	111,059
Foreign exchange, foreign notes and coins and precious metals transactions	1,595	1,680
Financial guarantees	6,068	6,355
Other services	39,111	38,124
Fee and commission expenses	-23,907	-23,975
Lending business	-3,324	-2,530
Securities and custody business	-7,710	-10,061
Payment transactions	-12,454	-10,960
Foreign exchange, foreign notes and coins and precious metals transactions	0	0
Financial guarantees	-65	-138
Other services	-354	-285
Net fee and commission income	**255,405**	**253,366**

Management fees for trust agreements were recognised in fee and commission income in the amount of euro 320 thousand (2021: euro 314 thousand).

7) Net trading income

Euro thousand	2022	2021
Equity related transactions	5	0
Exchange rate related transactions	5,115	3,412
Interest rate related transactions	-1,107	159
Net trading income	**4,013**	**3,571**

8) Result from financial instruments and investment properties

Euro thousand	2022	2021
Other result from financial instruments	**-18,718**	**12,983**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	3,497	10,023
Valuation measured at fair value through profit or loss - obligatory	-14,642	2,625
Loans and receivables credit institutions and customers	-13,308	1,399
Securities	-1,334	1,226
Result from other derivative instruments	-22,954	4,712
Result from fair value hedge	-909	-1,805
Valuation measured at fair value through profit or loss - designated	18,129	6,591
Debts evidenced by certificates	18,129	6,591
Income from equities and other variable-yield securities	10	807
Result from financial investments and other financial assets and liabilities measured at amortised cost	0	-4,581
Realised gains from disposal	0	74
Realised losses from disposal	0	-4,655
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	1,650	4,634
Realised gains from disposal	14	14
Realised losses from disposal	-11	-1
Income from participations	1,647	4,621
Result from investment properties	**3,747**	**4,489**
Rental income from investment properties and operating lease	1,702	1,696
Valuation investment properties	2,045	2,793
Result from financial instruments and investment properties	**-14,971**	**17,473**

The change in realised losses from carrying amounts upon disposal in the amount of euro 4,655 thousand essentially results from the sale of VB Regio Invest AG participation certificates. In financial year 2021, VBW has offered to VB Regio Invest AG (formerly Volksbank-Quadrat Bank AG, “VB Regio”) the shares it holds in VB Regio Invest AG participation certificates (ISIN AT0000A015R4) for repurchase in accordance with the repurchase memorandum dated 12 April 2021. VB Regio accepted this offer under the value date of 26 May 2021, and the participation certificates were transferred to VB Regio with the same value date against payment of the repurchase price.

9) Other operating result

Euro thousand	2022	2021
Other operating income	31,182	22,243
Other operating expenses	-90,407	-18,614
Deconsolidation result from consolidated affiliates	-225	-153
Taxes and levies on banking business	-4,762	-5,685
Other operating result	**-64,212**	**-2,208**

Other taxes include the stability tax in the amount of euro -3,913 thousand (2021: euro -4,080 thousand).

Detailed description of other operating income and other operating expenses

Euro thousand	2022	2021
Income from allocation of costs	4,026	4,105
Realised gains from disposal of fixed assets and security properties	15,884	3,605
Rental and leasing income	4,087	4,104
Repurchase of VB Regio Invest AG participation certificates	0	989
Others	7,184	9,440
Other operating income	**31,182**	**22,243**
Allocation of costs	-4,334	-3,555
Realised losses from disposal of fixed assets and security properties	-1,438	-2,432
Payment under the restructuring agreement	-83,192	0
Release of provision for negative interest	2,799	3,306
Allocation/release of provision for legal risks	425	-108
Expenses for buildings	-876	-1,077
Repurchase of VB Regio Invest AG participation certificates	0	-3,923
Claims	-1,489	-4,429
Others	-2,302	-6,395
Other operating income	**-90,407**	**-18,614**

In 2022, the last outstanding tranche to perform the restructuring agreement was paid to the federal government ahead of schedule. The share of the Association of Volksbanks in this payment amounted to euro 83,192 thousand. More details are set out in note 2).

10) General administrative expenses

Euro thousand	2022	2021
Staff expenses	-282,733	-291,042
Wages and salaries	-210,700	-218,145
Expenses for statutory social security	-55,977	-57,164
Fringe benefits	-3,779	-3,653
Expenses for retirement benefits	-6,141	-6,346
Allocation to provision for severance payments and pension funds	-6,137	-5,735
Administrative expenses	-187,073	-193,668
Office space expenses	-17,453	-15,344
Office supplies and communication expenses	-4,738	-5,048
Advertising, PR and promotional expenses	-15,634	-13,059
Legal, advisory and consulting expenses	-22,724	-23,883
IT expenses	-91,801	-78,920
Contribution to the deposit guarantee	-9,777	-36,791
Single Resolution Fund	-10,559	-7,803
Other administrative expenses (including training expenses)	-14,386	-12,819
Depreciation and reversal of impairment	-29,757	-30,569
Depreciation	-20,102	-20,838
Impairment/reversal of impairment	-1,185	-1,509
Right of use - lease depreciation	-8,471	-8,222
General administrative expenses	**-499,563**	**-515,279**

Staff expenses include payments for defined contribution plans totalling euro 6,322 thousand (2021: euro 6,495 thousand).

Other administrative expenses include expenses for managing contracts for investment properties to the amount of euro 22 thousand (2021: euro 25 thousand).

Expenses for low-value assets in the amount of euro 1,522 thousand (2021: euro 1,372 thousand) are included in the administrative expenses.

For the business year, expenses for the auditor KPMG Austria GmbH Wirtschaftsprüfung und Steuerberatungsgesellschaft amounted to euro 1,674 thousand. Thereof euro 1,146 thousand fall upon the audit of the consolidated financial statements including financial statements of fully consolidated companies and joint ventures, euro 503 thousand upon other advisory services and euro 25 thousand upon other audit services. The auditor does not provide any tax advice.

Information on compensation to board members

Euro thousand	2022	2021
Total compensation	**7,127**	**7,133**
Supervisory board VBW	354	295
Managing board VBW	1,840	1,792
Member of the managing board / Managing directors Volksbanks	4,933	5,045
Expenses for severance payments and pension	**1,027**	**816**
Supervisory board VBW	0	0
Managing board VBW	706	460
Member of the managing board / Managing directors Volksbanks	320	356

The definition of key management personnel can be found in note 1) a).

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	2022	2021	31 Dec 2022	31 Dec 2021
Employees	3,048	3,187	3,011	3,099
Workers	23	25	22	29
Total number of staff	**3,071**	**3,211**	**3,033**	**3,128**

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

11) Income taxes

Euro thousand	2022	2021
Current income taxes	-19,681	-22,018
Deferred income taxes	17,336	-10,372
Income taxes for the current fiscal year	**-2,344**	**-32,389**
Income taxes from previous periods	860	579
Income taxes	**-1,485**	**-31,810**

The reconciliation below shows the relationship between the imputed and reported tax expenditure:

Euro thousand	2022	2021
Annual result before taxes - continued operation	116,356	250,950
Annual result before taxes - total	**116,356**	**250,950**
Imputed income tax 25 %	29,089	62,738
Tax relief resulting from		
Tax-exempt investment income	-312	-1,018
Investment allowances	-30	-11
Other tax-exempt earnings	-674	-437
Dividend distribution on AT1 capital	-4,263	-4,263
Measurement of participation	12,405	-6,531
Re-inclusion of deferred tax assets	-35,602	-19,426
Changes in tax rates	4,879	0
Other differences	-3,148	1,338
Income taxes for the current fiscal year	**2,344**	**32,389**
Income taxes from previous periods	-860	-579
Reported income taxes	**1,485**	**31,810**
Effective tax rate - continued operations	**1.28 %**	**12.68 %**

The effective tax rates differ from the statutory tax rate applicable in Austria, in particular due to deferred tax assets not being offset against tax loss carry-forwards.

The following effects from deferred taxes can be found in other comprehensive income:

	2022			2021		
Euro thousand	**Other comprehensive income net**	**Income taxes**	**Other comprehensive income gross**	**Other comprehensive income net**	**Income taxes**	**Other comprehensive income gross**
Valuation of obligation of defined benefit plans	27,526	-7,210	20,316	8,669	-2,167	6,501
Revaluation reserve	0	60	60	0	0	0
Fair value reserve - equity instruments	-108	201	93	3,789	-1,008	2,781
Valuation of own credit risk	766	-179	587	-2,161	540	-1,621
Fair value reserve - debt instruments	-10,358	2,489	-7,869	-1,133	283	-850
Cash flow hedge reserve	-960	230	-730	-39	10	-30
Change in deferred taxes of untaxed reserve	0	9	9	0	0	0
Change from companies measured at equity	4,109	-956	3,152	1,987	-231	1,755
Other comprehensive income total	**20,975**	**-5,358**	**15,618**	**11,111**	**-2,573**	**8,538**

Notes to the consolidated statement of financial positions

12) Liquid funds

Euro thousand	31 Dec 2022	31 Dec 2021
Cash in hand	170,667	198,626
Balances with central banks	3,302,486	6,722,765
Liquid funds	**3,473,153**	**6,921,391**

Despite its comfortable liquidity position, the VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks has participated in the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the ECB. This is a monetary policy measure that includes success-based interest rate components upon reaching certain thresholds for cumulated net lending (Special Interest Rate Periods), apart from the average interest rate of the deposit facility and the main refinancing business.

The Association of Volksbanks 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 and 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 remaining term of the respective TLTRO III tranche, the average interest rate of the deposit facility throughout the entire term (3 years) of the respective tranche had to be applied. These terms were unilaterally amended by the ECB on 27 October 2022 to the effect that the regulation only applied until 22 November 2022, and thereafter the average interest rate of the deposit facility of the respective TLTRO III tranche is used. The Association of Volksbanks basically considers the TLTRO III instruments as having a variable interest rate, as both the underlying reference interest rate and the premiums are subject to continuous adjustments by the ECB. Accrued interest for the remaining portfolio is projected and accrued at the respective reporting date using the interest rates known until then and as published by the central bank, until the end of the term. No assumptions are made regarding future interest rate changes of the central bank for the purpose of accruing interest. Due to the above-mentioned amendment in October 2022, the harmonisation of TLRO interest rates with the deposit facility rate, and while the applicable central bank decisions are upheld, no income statement effects have arisen for VBW since October 2022. Interest rate changes effected by the central bank are taken into account in accruing interest from the time of their taking effect.

Within the Association of Volksbanks, the liabilities were recognised as financial liabilities to credit institutions under IFRS 9 and reported at amortised cost in the balance sheet. This classification is based on the fact that, in the meantime, the TLTRO instruments have established themselves as an independent refinancing market due to their long-term and regular availability, on the one hand, and that due to the significant volume, they influence pricing in the secured refinancing market, on the other hand. Therefore, the Association of Volksbanks believes that the terms of the TLRO III programme do not offer any significant advantage by comparison with the market, which is why IAS 20 is not applicable.

On 23 November 2022, VBW repaid euro 2.2 billion (euro 1.5 billion tranche 4 and 0.7 billion tranche 8) of the existing TLTRO III due to the change of the average interest rate in October 2022. As at 31 December 2022, the outstanding borrowings within the scope of the third series of the programme for targeted longer-term refinancing operations (TLTRO III) of the European Central Bank (ECB) amounts to euro 1.3 billion (2021: euro 3.5 billion). Another early repayment is not planned at present.

For the TLTRO III volume raised, euro 18.8 million (2021: euro 20.5 million) was accrued in the financial year and recognised as negative interest expense in interest income. This compares to negative interest income in the amount of euro 13.5 million (2021: euro 10.4 million) from deposits with Oesterreichische Nationalbank (OeNB).

Transition from liquid funds to cash and cash equivalents

EUR Tsd.	31 Dec 2022	31 Dec 2021
Liquid funds	3,473,153	6,921,391
Restricted cash and cash equivalents	0	-20,328
Cash and cash equivalents	**3,473,153**	**6,901,063**

As at the balance sheet date, no obligations from the liquid funds exist for the trust fund (Leistungsfonds) (2021: euro 4,901 thousand).

13) Loans and receivables credit institutions and customers

Euro thousand	31 Dec 2022	31 Dec 2021
Loans and receivables credit institutions		
Amortised cost	123,049	256,532
Fair value through profit or loss	0	58
Gross carrying amount	123,049	256,590
Risk provisions	-11	-23
Net carrying amount	**123,038**	**256,567**
Loans and receivables customers		
Amortised cost	22,133,939	21,490,338
Fair value through profit or loss	396,364	346,154
Gross carrying amount	22,530,304	21,836,493
Fair value changes in the underlying items for portfolio hedges of interest rate risks	-139,313	0
Risk provisions	**-275,003**	**-273,365**
Net carrying amount	**22,115,988**	**21,563,128**
Loans and receivables credit institutions and customers	**22,239,026**	**21,819,695**

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
On demand	27,326	27,161
Up to 3 months	55,796	191,555
Up to 1 year	1,092	498
Up to 5 years	5,606	0
More than 5 years	33,230	37,377
Loans and receivables credit institutions (gross)	**123,049**	**256,590**

On demand	606,184	680,790
Up to 3 months	553,351	673,026
Up to 1 year	1,486,102	1,443,027
Up to 5 years	5,465,749	5,268,308
More than 5 years	14,418,918	13,771,341
Loans and receivables customers (gross)	**22,530,304**	**21,836,493**

Finance lease disclosures

Euro thousand	Until 1 year	Until 5 years	More than 5 years	Total
2022				
Total gross investment	30,055	149,449	24,166	203,669
Less paid non-interest-bearing deposits	-2,559	-9,977	-1,052	-13,588
Less unearned financial income	-1,432	-6,408	-999	-8,840
Present value of minimum lease payments	**26,064**	**133,064**	**22,115**	**181,242**
Total unguaranteed residual value				**6,328**
2021				
Total gross investment	26,867	149,558	23,083	199,508
Less paid non-interest-bearing deposits	-2,051	-10,920	-107	-13,079
Less unearned financial income	-1,017	-3,737	-459	-5,213
Present value of minimum lease payments	**23,799**	**134,901**	**22,517**	**181,217**
Total unguaranteed residual value				**7,066**

The net present value of minimum lease payments is measured at amortised cost and reported in loans and receivables credit institutions and customers.

The net present value of minimum lease payments corresponds to the fair value of financial lease transactions, as such contracts are based on variable interest rates.

Sensivity analysis

Loans and receivables customers measured at fair value

As at 31 December 2022, there are loans and receivables customers measured at fair value through profit or loss in the amount of euro 396,364 thousand (2021: euro 346,154 thousand).

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

Loans and receivables customers

Euro thousand 31 Dec 2022	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1,110	-1,103
Change in risk markup +/- 100 bp	11,447	-10,706
Change in rating 1 stage down / up	442	-587
Change in rating 2 stages down / up	695	-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

14) Risk provision

Risk provision – loans and receivables credit institutions

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2021	**38**	**0**	**0**	**38**
Increases due to origination and acquisition	65	0	0	65
Decreases due to derecognition	-25	0	0	-25
Changes due to change in credit risk	-55	0	0	-55
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	0	0	0	0
As at 31 Dec 2021	**23**	**0**	**0**	**23**
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	-7	0	0	-7
Changes due to change in credit risk	-4	0	0	-4
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	-2	0	0	-2
As at 31 Dec 2022	**11**	**0**	**0**	**11**

Risk provision – loans and receivables customers

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2021	**78,890**	**97,099**	**187,968**	**363,957**
Increases due to origination and acquisition	4,282	2,807	3,792	10,880
Decreases due to derecognition	-1,573	-5,153	-9,823	-16,548
Changes due to change in credit risk	-10,028	5,129	-262	-5,161
Thereof transfer to stage 1	12,474	-11,724	-750	0
Thereof transfer to stage 2	-14,560	15,640	-1,079	0
Thereof transfer to stage 3	-40	-4,807	4,848	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	-36,486	-24,227	66	-60,647
Decrease in allowance account due to write-offs	0	0	-19,347	-19,347
Other adjustments	-729	-4,129	5,090	232
As at 31 Dec 2021	**34,356**	**71,526**	**167,483**	**273,365**
Increases due to origination and acquisition	4,902	2,475	1,150	8,527
Decreases due to derecognition	-860	-5,464	-21,001	-27,326
Changes due to change in credit risk	31,776	22,740	6,720	61,235
Thereof transfer to stage 1	6,407	-6,404	-3	0
Thereof transfer to stage 2	-7,753	8,351	-598	0
Thereof transfer to stage 3	-65	-3,476	3,541	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	-15,926	-7,101	0	-23,026
Decrease in allowance account due to write-offs	0	0	-18,007	-18,007
Other adjustments	-17	-4,665	4,917	234
As at 31 Dec 2022	**54,230**	**79,510**	**141,263**	**275,003**

Risk provision – financial investments measured at cost

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2021	**791**	**0**	**0**	**791**
Increases due to origination and acquisition	42	0	0	42
Decreases due to derecognition	-349	0	0	-349
Changes due to change in credit risk	-149	0	0	-149
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	0	0	0	0
As at 31 Dec 2021	**336**	**0**	**0**	**336**
Increases due to origination and acquisition	132	0	0	132
Decreases due to derecognition	-18	0	0	-18
Changes due to change in credit risk	343	0	0	343
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	0	0	0	0
As at 31 Dec 2022	**792**	**0**	**0**	**792**

Risk provision – financial investments 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	**8**	**0**	**0**	**8**
Increases due to origination and acquisition	0	0	0	0
Decreases due to derecognition	0	0	0	0
Changes due to change in credit risk	0	0	0	0
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	0	0	0	0
As at 31 Dec 2021	**8**	**0**	**0**	**8**
Increases due to origination and acquisition	3	0	0	3
Decreases due to derecognition	-2	0	0	-2
Changes due to change in credit risk	5	0	0	5
Thereof transfer to stage 1	0	0	0	0
Thereof transfer to stage 2	0	0	0	0
Thereof transfer to stage 3	0	0	0	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	0	0	0	0
As at 31 Dec 2022	**15**	**0**	**0**	**15**

15) Assets held for trading

Euro thousand	31 Dec 2022	31 Dec 2021
Bonds and other fixed-income securities	544	486
Positive fair values of derivative instruments	25,048	39,263
Exchange rate related transactions	0	13
Interest rate related transactions	25,048	39,250
Assets held for trading	**25,592**	**39,750**

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
Up to 3 months	56	0
Up to 1 year	5	0
Up to 5 years	475	477
More than 5 years	8	9
Bonds and other fixed-income securities	**544**	**486**

VBW as the CO maintains a trading book. The volume of the trading book as at 31 December 2022 amounts to euro 968,486 thousand (2021: euro 1,281,628 thousand).

16) Financial investments

Euro thousand	31 Dec 2022	31 Dec 2021
Financial investments		
Amortised cost	2,293,548	2,297,529
Fair value through OCI	80,708	80,989
Fair value through profit or loss	4,505	5,294
Risk provision	-792	-336
Carrying amount	**2,377,968**	**2,383,476**

As the risk provision for financial investments at fair value through OCI does not reduce the carrying amount of the financial instruments concerned, it is not shown in this table.

Financial investments measured at fair value through profit or loss include equity instruments in the amount of euro 1,554 thousand (2021: euro 2,069 thousand).

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
Up to 3 months	54,832	40,392
Up to 1 year	194,881	68,231
Up to 5 years	946,237	837,298
More than 5 years	1,181,256	1,435,822
Bonds and other fixed-income securities	**2,377,206**	**2,381,743**

Breakdown of debt securities in accordance with the Austrian Banking Act

Euro thousand	31 Dec 2022	31 Dec 2021
Listed securities	2,435,111	2,158,080
Bonds and other fixed-income securities	2,435,111	2,158,080
Securities allocated to fixed assets	2,447,108	2,160,924
Securities eligible for rediscounting	2,411,312	2,108,774

17) Investment property

Euro thousand	Investment properties
Costs as at 01 Jan 2021	**37,621**
Change in the scope of consolidation	0
Disposals	-2,594
Assets held for sale	-3,828
Costs as at 31 Dec 2021	**31,199**
Change in the scope of consolidation	986
Disposals	-2,090
Assets held for sale	-30
Costs as at 31 Dec 2022	**30,065**

Euro thousand	Investment properties
Cumulative valuation 01 Jan 2021	**3,356**
Change in the scope of consolidation	0
Disposals	-362
Assets held for sale	526
Valuation losses	-233
Valuation gains	3,026
Cumulative valuation 31 Dec 2021	**6,313**
Change in the scope of consolidation	-496
Disposals	-1,470
Assets held for sale	-19
Valuation losses	-72
Valuation gains	2,117
Cumulative valuation 31 Dec 2022	**6,374**

Euro thousand	Investment properties
Carrying amount 01 Jan 2021	40,977
Carrying amount 31 Dec 2021	37,512
Carrying amount 31 Dec 2022	**36,439**

Valuations shown in the table above are included within result from financial instruments and investment properties. These valuations include investment properties to the amount of euro 1,889 thousand (2021: euro 2,576 thousand) still held at the reporting date.

In financial year 2022, investment properties with a carrying amount of euro 3,560 thousand (2021: euro 2,956 thousand) were disposed of.

Investment properties contain 26 completed properties (2021: 27) with a carrying amount of euro 23,368 thousand (2021: 24,463 euro thousand), as well as undeveloped land with a carrying amount of euro 13,071 thousand (2021: 13,049 euro thousand). These properties are located in Austria. At reporting date, all investment properties are measured at fair value.

The valuation of investment property uses parameters that are not based on market data. Investment properties are therefore classified in the level 3 fair value category.

The non-observable input factors are provided by independent internal and external experts and reflect the current market assessment considering the specific features of each property. The main input parameters are shown below, with a distinction made between finished properties and undeveloped land. The minimum and maximum values are reported for each individual input parameter along with the average value weighted by the carrying amount (average). The average value in the position carrying amount corresponds to the average value of each property. The parameter values therefore do not generally relate to one and the same property.

The sensivity analysis is calculated on all investment properties irrespective whether they are shown as investment properties or as assets held for sale.

Completed properties

	2022			2021		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	49	4,770	867	28	4,540	931
Rentable space in sqm	38	2,741	1,058	38	2,741	1,060
Occupancy rate	0.00 %	100.00 %	95.37 %	0.00 %	100.00 %	93.73 %
Discount rate	2.00 %	7.25 %	4.77 %	2.00 %	7.00 %	4.19 %

Sensitivity analysis

Euro thousand	Changes in the carrying amount if assumption is increased	if assumption is decreased
31 Dec 2022		
Discount rate (0.25 % change)	-1,166	1,295
Discount rate (0.50 % change)	-2,221	2,741
31 Dec 2021		
Discount rate (0.25 % change)	-1,520	1,713
Discount rate (0.50 % change)	-2,879	3,659

Undeveloped land

	2022			2021		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	41	3,000	1,089	32	2,990	1,064
Plot size in sqm	540	48,263	15,229	540	48,263	13,985
Value per sqm	5	267	158	5	1,197	249

Sensitivity analysis

Euro thousand	Changes in the carrying amount if assumption is increased	if assumption is decreased
31 Dec 2022		
Land value (10 % change)	1,307	-1,307
Land value (5 % change)	654	-654
31 Dec 2021		
Land value (10 % change)	1,383	-1,383
Land value (5 % change)	691	-691

The Association has committed itself to maintain investment property refunded by a third party. Apart from that, there are no other obligations to purchase, construct, develop or maintain investment property.

18) Companies measured at equity

Euro thousand	Associates
Carrying amount as at 01 Jan 2021	**90,870**
Changes in the scope of consolidation	592
Additions	0
Disposals	0
Comprehensive income proportional	480
Impairment	-246
Carrying amount as at 31 Dec 2021	**91,696**
Changes in the scope of consolidation	0
Additions	17
Disposals	-44
Comprehensive income proportional	2,720
Impairment	-154
Carrying amount as at 31 Dec 2022	**94,234**

Associates

The Association holds 77.8 % (2021: 77.8 %) of the shares in VB Verbund Beteiligungs eG (VB Verb). The company is located in Vienna and holds participations in companies within the financial sector.

In addition, the Association holds 77.5 % (2021: 77.6 %) of shares in VBW eins Beteiligung eG (VBW eins). The company is located in Vienna and holds participations in companies within the financial sector.

None of these companies is listed on the stock exchange.

Below, the financial information for VB Verbund-Beteiligung eG and VBW eins Beteiligung eG is presented together, as none of the companies is considered material based on the proportionate financial information attributable to the Association.

Additional information regarding associates

Euro thousand	2022	2021
Assets		
Loans and receivables credit institutions	26,148	28,543
Financial investments	0	3,000
Other assets	107,938	96,540
Total assets	**134,087**	**128,082**
of which current assets	114,155	128,082
Liabilities and Equity		
Other liabiliites	4,109	1,521
Equity	129,977	126,561
Total liabilities and equity	**134,087**	**128,082**
of which current liabilities	4,109	1,521
Statement of comprehensive income		
Interest and similar income	384	251
Interest and similar expense	-260	-218
Net interest income	124	33
Result before taxes	247	1,184
Income taxes	-879	55
Result after taxes	-631	1,239
Other comprehensive income	4,064	2,062
Comprehensive income	**3,432**	**3,301**

Reconciliation

Euro thousand	2022	2021
Equity	129,977	126,561
Equity interest	n.a.	n.a.
Equity proportional	101,072	98,376
Cumulative impairment and reversals	-7,146	-6,992
Valuation previous years	308	312
Carrying amount as at 31 Dec 2022	**94,234**	**91,696**

In the reconciliation, the proportionate equity is reconciled with the carrying amount. As the other companies are aggregated, it is not possible to state the equity interest.

19) Participations

Euro thousand	31 Dec 2022	31 Dec 2021
Investments in unconsolidated affiliates	14,398	16,060
Investments in companies with participating interest	5,808	5,276
Investments in other companies	106,691	109,252
Participations	**126,898**	**130,588**

A list of unconsolidated affiliates can be found in note 54). Participations with a carrying amount of euro 262 thousand (2021: euro 1,518 thousand) were disposed of during the business year.

The most significant participation in other participations is Volksbanken Holding eGen with a carrying amount of euro 83,837 thousand (2021: euro 83,837 thousand), Oesterreichische Kontrollbank Aktiengesellschaft with a carrying amount of euro 3,750 thousand (2021: euro 4,394 thousand) and PSA Payment Services Austria GmbH with a carrying amount of euro 3,845 thousand (2021: euro 5,274 thousand). The dividends of the participations are included in the income statement in the item Result from financial instruments and investment properties.

Income from participations includes dividends of euro 1,567 thousand from participations measured at fair value through OCI (2021: euro 4,590 thousand). Dividends from participations measured at fair value through OCI that were derecognised in the 2022 financial year amounted to euro 0 thousand (2021: euro 545 thousand).

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 valued by DCF method

Propotional market value Euro thousand 31 Dec 2022		Interest rate -0.50 %	 Actual	 0.50 %
	-10.00 %	12,773	12,183	11,646
Income component	**Actual**	14,192	**13,613**	12,940
	10.00 %	15,612	14,891	14,234
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 valued by net assets

Euro thousand 31 Dec 2022	Proportional market value If assumption is decreased	 Actual	 If assumption is increased
Net assets (10 % change)	16,509	**18,340**	20,177
31 Dec 2021			
Net assets (10 % change)	17,925	**19,916**	21,908

Participations valued by external appraisals

Euro thousand 31 Dec 2022	Proportional market value Lower band	 Actual	 Upper band
Proportional market value	77,984	**86,650**	95,313
31 Dec 2021			
Proportional market value	77,980	**86,644**	95,308

20) Intangible assets

Euro thousand	Software	Others	Total
Costs as at 01 Jan 2021	**18,542**	**555**	**19,097**
Change in the scope of consolidation	15	0	15
Reclassification	22,273	0	22,273
Additions	14	0	14
Disposals	-6,606	0	-6,606
Costs as at 31 Dec 2021	**34,238**	**555**	**34,793**
Change in the scope of consolidation	0	0	0
Reclassification	0	0	0
Additions	535	0	535
Disposals	-1,129	0	-1,129
Costs as at 31 Dec 2022	**33,645**	**555**	**34,199**
Cumulative valuation 01 Jan 2021	**-16,247**	**-259**	**-16,506**
Change in the scope of consolidation	-15	0	-15
Reclassification	-22,273	0	-22,273
Disposals	6,577	0	6,577
Depreciation	-873	-15	-888
Cumulative valuation 31 Dec 2021	**-32,832**	**-273**	**-33,105**
Change in the scope of consolidation	0	0	0
Reclassification	0	0	0
Disposals	1,129	0	1,129
Depreciation	-835	-15	-849
Cumulative valuation 31 Dec 2022	**-32,538**	**-288**	**-32,826**
Carrying amount 01 Jan 2021	2,295	296	2,591
Carrying amount 31 Dec 2021	1,406	281	1,687
Thereof with unlimited useful life			0
Thereof with limited useful life	1,406	281	1,687
Carrying amount 31 Dec 2022	**1,107**	**266**	**1,373**
Thereof with unlimited useful life			0
Thereof with limited useful life	1,107	266	1,373

21) Tangible assets

Euro thousand	Land and buildings	IT-Equipment	Office equipment and furniture	Others	Total
Costs as at 01 Jan 2021	**474,573**	**15,321**	**180,905**	**4,512**	**675,312**
Change in the scope of consolidation	0	9	0	0	9
Reclassification	9	0	-2,069	2,061	2
Additions	6,984	699	7,633	1,314	16,629
Disposals	-31,100	-1,999	-6,874	-1,616	-41,588
Assets held for sale	-31,169	0	0	0	-31,169
Costs as at 31 Dec 2021	**419,298**	**14,030**	**179,596**	**6,271**	**619,194**
Change in the scope of consolidation	0	0	0	0	0
Reclassification	-329	0	329	0	0
Additions	11,470	147	6,143	1,803	19,562
Disposals	-26,182	-3,630	-6,540	-1,564	-37,916
Assets held for sale	-7,628	0	0	0	-7,628
Costs as at 31 Dec 2022	**396,629**	**10,547**	**179,527**	**6,509**	**593,212**
Cumulative valuation 01 Jan 2021	**-231,051**	**-14,036**	**-147,999**	**-2,969**	**-396,056**
Change in the scope of consolidation	0	-8	0	0	-8
Reclassification	9	0	1,754	-1,765	-2
Disposals	12,929	1,999	6,521	1,458	22,907
Assets held for sale	19,146	0	0	0	19,146
Depreciation	-10,970	-607	-7,502	-871	-19,950
Impairment	-1,004	0	-505	0	-1,509
Cumulative valuation 31 Dec 2021	**-210,941**	**-12,653**	**-147,730**	**-4,146**	**-375,471**
Change in the scope of consolidation	0	0	0	0	0
Reclassification	222	0	-222	0	0
Disposals	16,877	3,628	6,152	1,310	27,968
Assets held for sale	3,967	0	0	0	3,967
Depreciation	-9,568	-512	-8,237	-935	-19,252
Impairment	-1,185	0	0	0	-1,185
Cumulative valuation 31 Dec 2022	**-200,627**	**-9,537**	**-150,038**	**-3,771**	**-363,973**
Carrying amount 01 Jan 2021	243,522	1,284	32,906	1,543	279,256
Carrying amount 31 Dec 2021	208,356	1,377	31,865	2,125	243,723
Carrying amount 31 Dec 2022	**196,001**	**1,010**	**29,490**	**2,738**	**229,239**

Right of use

Euro thousand	Vehicles	Branches	Administration buildings	Others	Total
31 Dec 2021					
Amortised cost	77	153,497	31,207	0	184,780
Additions	0	2,906	0	0	2,906
Depreciation	-10	-6,487	-1,724	0	-8,222
Carrying amount	**0**	**133,287**	**27,303**	**0**	**160,590**
31 Dec 2022					
Amortised cost	281	160,569	31,207	11	192,057
Additions	204	7,512	0	11	7,727
Depreciation	-4	-6,742	-1,724	0	-8,471
Carrying amount	**98**	**133,601**	**25,579**	**10**	**159,288**

At the Association of Volksbanks buildings were sold, and the branches located therein were subsequently leased back again. This transction leads to an insignificant impact on the result and to a cash inflow in the amount of euro 5,291 thousand (2021: euro 3,482 thousand).

22) Tax assets and liabilities

	31 Dec 2022		31 Dec 2021	
Euro thousand	**Tax assets**	**Tax liabilities**	**Tax assets**	**Tax liabilities**
Current tax	6,678	3,092	4,909	8,731
Deferred tax	110,253	4,273	96,715	3,671
Tax total	**116,930**	**7,366**	**101,624**	**12,402**

The table below shows the differences resulting from the balance sheet figures reported in accordance with Austrian tax legislation and IFRS giving rise to deferred tax assets and liabilities:

	31 Dec 2022		31 Dec 2021		Net deviation 2022		
Euro thousand	**Tax assets**	**Tax liabilities**	**Tax assets**	**Tax liabilities**	**Total**	**In income statement**	**In other comprehen-sive income**
Loans and receivables credit insti-tutions	6	2,510	505	717	-2,292	-2,292	0
Loans and receivables customers	86,644	33,955	59,892	33,663	26,459	26,459	0
Assets held for trading	2,599	0	9,119	0	-6,521	-6,521	0
Financial investments	20,898	59	719	55,047	75,168	72,679	2,489
Investment property	0	4,134	0	4,535	401	401	0
Participations	8,047	3,783	9,110	4,375	-470	-671	201
Intangible and tangible assets	39,535	39,573	40,264	42,252	1,950	1,890	60
Amounts owed to credit institutions	7	0	0	2	9	9	0
Amounts owed to customers	995	0	1,042	2,349	2,302	2,302	0
Debts evidenced by certificates and subordinated liabilities	39	49,212	10,043	937	-58,279	-58,100	-179
Lease liabilities	41,254	0	42,289	0	-1,034	-1,034	0
Liabilities held for trading	0	2,217	0	9,141	6,924	6,924	0
Provisions for pensions, severance payments and other provisions	18,850	2,305	29,612	4,494	-8,573	-1,363	-7,210
Other assets and liabilities	71,722	82,075	63,877	25,633	-48,596	-48,826	230
Other balance sheet items	0	210	0	219	9	0	9
Tax loss carryforwards	35,416	0	9,937	0	25,479	25,479	0
Deferred taxes before netting	**326,011**	**220,032**	**276,408**	**183,364**	**12,935**	**17,336**	**-4,401**
Offset between deferred tax assets and deferred tax liabilities	-215,759	-215,759	-179,693	-179,693	0	0	0
Reported deferred taxes	**110,253**	**4,273**	**96,715**	**3,671**	**12,935**	**17,336**	**-4,401**

Deferred tax assets and deferred tax liabilities can only be offset to the extent that they relate to the same company.

Deferred tax assets were recognised to the extent they can likely be realised within a reasonable period. A period of 4 years, in line with the Group's tax planning, was used as a basis for the examination of the utilisation of tax loss carry-forwards. The realisation of other deferred tax assets is based on long-term planning with an appropriate planning period. The gradual decrease of the corporate income tax rate from 25 % to, initially, 24 % in calendar year 2023 and to 23 % from calendar year 2024 was taken into account in the present annual financial statements in determining deferred taxes. This has not resulted in any material effects in profit or loss.

For tax loss carryforwards in the amount of euro 443,896 thousand (2021: euro 615,633 thousand) no deferred taxes were recognised. Of these taxable loss carryforwards euro 443,896 thousand (2021: euro 615,633 thousand) can be carried forward without restriction and are mainly attributable to VBW.

In accordance with IAS 12.39 deferred tax liabilities for temporary differences regarding participations in subsidiaries in the amount of euro 54,564 thousand (2021: euro 54,700 thousand) as well as deferred tax assets in the amount of euro 14,782 thousand (2021: euro 19,239 thousand) were not recognised as a reversal is not expected soon.

23) Other assets

Euro thousand	31 Dec 2022	31 Dec 2021
Deferred items	4,428	3,957
Other receivables and assets	59,908	68,028
Positive fair values of derivative instruments	273,097	75,853
Other assets	**337,433**	**147,838**

Other receivables and assets essentially consist auxiliary accounts of deferrals of euro 24,947 thousand (2021: euro 18,775 thousand), the banking business and other allocations amounting to euro 18,061 thousand (2021: euro 14,678 thousand), receivables against employees in the amount of euro 4,738 thousand (2021: euro 4,839 thousand) and receivables from property sales in the amount of euro 1,390 thousand (2021: euro 15,345 thousand).

In addition to derivatives that are used for hedge accounting in accordance with IFRS 9, the position positive market values from derivative financial instruments also includes derivatives in the amount of euro 8,803 thousand (2021: euro 31,445 thosand) that are used for managing interest rate risks in the banking book.

The table below shows the fair values of derivatives included in the position other assets which are used in hedge accounting:

	31 Dec 2022		31 Dec 2021	
Euro thousand	Fair value hedge	Cash flow hedge	Fair value hedge	Cash flow hedge
Interest rate related transactions	264,293	0	44,407	0
Positive fair values of derivative instruments	**264,293**	**0**	**44,407**	**0**

24) 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	31 Dec 2022	31 Dec 2021
Investment property	49	3,303
Tangible assets	6,247	12,576
Other assets	306	0
Assets held for sale	**6,602**	**15,879**

As at 31 December 2022, the item Assets available for sale shows the carrying amount of commercially used properties and vacant objects the sale of which has already been contractually agreed, or is very likely, as at 31 December 2022. As at 31 December 2022, this item mainly includes two properties owned by Volksbank Niederösterreich (euro 2.6 million) and Volksbank Oberösterreich (euro 2.7 million).

25) Amounts owed to credit institutions

Euro thousand	31 Dec 2022	31 Dec 2021
Central banks	1,606,641	3,579,956
Other credit institutions	205,598	216,673
Amounts owed to credit institutions	**1,812,239**	**3,796,629**

Amounts owed to credit institutions are measured at amortised cost.

The decrease in amounts owed to central banks in the amount of approximately euro 2 billion (2021: euro 3.6 billion) essentially results from the early partial repayment of the ECB's TLTRO III financing in the amount of euro 2.2 billion. Details of the TLTRO III programme are presented in note 12).

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
On demand	310,895	146,309
Up to 3 months	90,871	22,488
Up to 1 year	1,817	3,500,068
Up to 5 years	1,301,435	16,154
More than 5 years	107,221	111,611
Amounts owed to credit institutions	**1,812,239**	**3,796,629**

26) Amounts owed to customers

Euro thousand	31 Dec 2022	31 Dec 2021
Savings deposits	6,220,019	7,009,484
Other deposits	15,885,317	15,737,315
Fair value changes in the underlying items for portfolio hedges of interest rate risks	-238	0
Amounts owed to customers	**22,105,097**	**22,746,798**

Amounts owed to customers are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
On demand	20,657,195	21,183,144
Up to 3 months	408,674	411,266
Up to 1 year	782,068	687,465
Up to 5 years	216,525	411,006
More than 5 years	40,873	53,918
Amounts owed to customers	**22,105,335**	**22,746,798**

27) Debts evidenced by certificates

Euro thousand	31 Dec 2022	31 Dec 2021
Bonds	1,681,529	1,869,153
Amortised cost	1,614,228	1,782,974
Fair value through profit or loss - designated	67,301	86,179
Others	0	7,448
Debts evidenced by certificates	**1,681,529**	**1,876,601**

Other debts evidenced by certificates are measured at amortised cost.

In financial year 2022, the fair value change of own credit risk in the amount of euro 587 thousand was recognised (2021: euro -1,621 thousand) in other comprehensive income. The cumulative amount of the fair value change of own credit risk was euro 961 thousand (2021: euro 374 thousand). The redemption amount that VBW would contractually have to pay at maturity was euro 50,000 thousand (2021: euro 51,000 thousand).

In December 2022, VBW issued a bond with sliding scale interest and a Moody's rating of Baa1. The volume amounted to euro 50 million, maturing on 15 March 2027.

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
Up to 3 months	4,000	6,275
Up to 1 year	10,000	1,386
Up to 5 years	1,080,135	1,254,374
More than 5 years	587,393	614,567
Debts evidenced by certificates	**1,681,529**	**1,876,601**

28) Lease liabilities

Euro thousand	31 Dec 2022	31 Dec 2021
Up to 3 months	1,915	1,893
Up to 1 year	5,436	5,396
Up to 5 years	34,808	32,265
More than 5 years	129,734	129,601
Lease liabilities	**171,893**	**169,155**

Cash inflow and cash outflow of the lease liabilities

Euro thousand	Lease liabilities
As at 01 Jan 2021	**169,889**
Cash inflow	0
Cash outflow	-7,729
Non-cash changes	
Others	6,995
Total non-cash changes	6,995
As at 31 Dec 2021	**169,155**
Cash inflow	0
Cash outflow	-7,996
Non-cash changes	
Others	10,735
Total non-cash changes	10,735
As at 31 Dec 2022	**171,893**

29) Liabilities held for trading

Euro thousand	31 Dec 2022	31 Dec 2021
Negative fair values of derivative instruments		
Interest rate related transactions	27,835	42,397
Liabilities held for trading	**27,835**	**42,397**

30) Provisions

Provisions for off-balance risks

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2021	**11,769**	**11,397**	**7,353**	**30,519**
Increases due to origination and acquisition	1,643	655	1,093	3,391
Decreases due to derecognition	-257	-615	-1,401	-2,273
Changes due to change in credit risk	-2,149	-594	-215	-2,958
Thereof transfer to stage 1	371	-371	0	0
Thereof transfer to stage 2	-594	601	-7	0
Thereof transfer to stage 3	-1	-114	115	0
Changes due to modifications without derecognition	-362	0	0	-362
Post-Model Adjustment	-5,931	-2,471	0	-8,403
Other adjustments	-72	-757	830	1
As at 31 Dec 2021	**4,642**	**7,614**	**7,660**	**19,915**
Increases due to origination and acquisition	1,863	741	1,050	3,654
Decreases due to derecognition	-251	-480	-555	-1,286
Changes due to change in credit risk	1,863	2,571	264	4,698
Thereof transfer to stage 1	525	-525	0	0
Thereof transfer to stage 2	-719	725	-6	0
Thereof transfer to stage 3	-1	-44	45	0
Changes due to modifications without derecognition	0	0	0	0
Post-Model Adjustment	-1,874	-785	0	-2,659
Other adjustments	-9	-189	200	2
As at 31 Dec 2022	**6,233**	**9,471**	**8,620**	**24,324**

Further details regarding off-balance sheet credit risks are contained in note 50) Risk report.

Other provisions

Euro thousand	Restructuring	Interest claims in connection with loans with floors	Pending litigations	Others	Total
As at 01 Jan 2021	**3,879**	**5,629**	**3,279**	**8,318**	**21,105**
Transfer of staff	119	0	0	0	119
Reclassification	0	-197	197	0	0
Utilisation	-600	-190	-330	-859	-1,979
Release	-382	-3,306	-622	-1,970	-6,281
Addition	131	1,332	730	5,448	7,641
As at 31 Dec 2021	**3,146**	**3,268**	**3,253**	**10,937**	**20,605**
Transfer of staff	0	0	0	0	0
Reclassification	-399	-249	0	648	0
Utilisation	-414	0	-318	-3,158	-3,890
Release	-423	-2,799	-1,055	-1,174	-5,450
Addition	433	0	630	763	1,827
As at 31 Dec 2022	**2,344**	**220**	**2,510**	**8,016**	**13,091**

Provisions are recorded at the best possible estimate of the expected outflow of resources with economic benefits as at the reporting date, considering the risks and uncertainties expected to fulfil the obligation. Risks and uncertainties have been taken into account in making the estimates.

The restructuring provision essentially includes provisions from the consolidation of Market Service Center, Customer Service Center and loan processing department as well as provisions from the Adler programme completed already.

No court proceedings have been initiated in the past years in relation to the provision for interest claims from credits with interest rate floors. Due to that fact, and due to the current marked increase in interest rates and the resulting decrease in interest rate differences, the provision was released for the major part.

31) Long-term employee provisions

Euro thousand	Provision for pensions	Provision for severance payments	Provision for anniversary bonuses	Total
Net present value as at 01 Jan 2021	**43,180**	**117,816**	**20,027**	**181,023**
Transfer of staff	0	25	18	43
Current service costs	110	5,039	1,297	6,446
Interest costs	129	491	85	705
Payments	-3,137	-7,429	-828	-11,394
Actuarial gains or losses arising from changes in financial assumptions	-1,768	-6,901	-1,294	-9,962
Net present value as at 31 Dec 2021	**38,515**	**109,041**	**19,305**	**166,861**
Transfer of staff	0	0	0	0
Current service costs	-120	6,288	1,212	7,380
Interest costs	806	462	82	1,350
Payments	-3,058	-5,838	-1,133	-10,028
Actuarial gains or losses arising from changes in financial assumptions	-2,777	-24,749	-4,033	-31,558
Net present value as at 31 Dec 2022	**33,366**	**85,204**	**15,434**	**134,004**

Net present value of plan assets

Euro thousand	Provision for pensions
Net present value of plan assets as at 01 Jan 2021	**987**
Result from plan assets	42
Net present value of plan assets as at 31 Dec 2021	**1,029**
Result from plan assets	-35
Net present value of plan assets as at 31 Dec 2022	**994**

The provision for pensions is netted with the present value of plan assets.

Contribution payments to plan assets are expected in the amount of euro 8 thousand in 2022 (2021: euro 0 thousand).

Euro thousand	Provision for pensions	Provision for severance payments	Provision for anniversary bonuses	Total
31 Dec 2021				
Long-term employee provision	38,515	109,041	19,305	166,861
Net present value of plan assets	-1,029	0	0	-1,029
Net liability recognised in balance sheet	**37,486**	**109,041**	**19,305**	**165,832**
31 Dec 2022				
Long-term employee provision	33,366	85,204	15,434	134,004
Net present value of plan assets	-994	0	0	-994
Net liability recognised in balance sheet	**32,372**	**85,204**	**15,434**	**133,011**

Historical information

Euro thousand	2022	2021	2020	2019	2018
Net present value of obligations	134,004	166,861	181,023	213,621	209,492
Net present value of plan assets	994	1,029	987	971	5,014

Composition of plan assets

Euro thousand	31 Dec 2022 Plan assets - quoted	Plan assets - non-quoted	Plan assets - total	31 Dec 2021 Plan assets - quoted	Plan assets - non-quoted	Plan assets - total
Bond issues regional administration bodies	145	0	145	150	0	150
Bond issues credit institutions	34	0	34	35	0	35
Other bond issues	263	0	263	280	0	280
Shares EU countries	94	0	94	102	0	102
Shares USA and Japan	136	0	136	143	0	143
Other shares	97	0	97	102	0	102
Derivatives	22	40	62	17	43	60
Real estate	0	95	95	0	92	92
Fixed deposit	0	7	7	0	1	1
Cash in hand	0	60	60	0	65	65
Total	**792**	**202**	**994**	**828**	**200**	**1,029**

The column Plan assets - quoted shows all plan assets with a market price quoted on an active market.

Sensitivity analysis

With all other variables held constant, possible changes that could reasonably be expected in one of the significant actuarial assumptions as of the reporting date would have influenced the defined benefit obligation as follows:

Euro thousand	Change in the present value: increase of assumption	decrease of assumption
31 Dec 2021		
Discount rate (0.75 % modification)	-12,454	14,520
Future wage and salary increases (0.50 % modification)	7,297	-6,523
Future pension increases (0.25 % modification)	1,048	-998
Future mortality (1 year modification)	2,349	-2,249
31 Dec 2022		
Discount rate (0.75 % modification)	-8,875	10,012
Future wage and salary increases (0.50 % modification)	5,079	-4,750
Future pension increases (0.25 % modification)	811	-776
Future mortality (1 year modification)	1,869	-1,809

As of 31 December 2022, the weighted average term of defined-benefit obligations for pensions was 9.3 years (2021: 10.4 years) and for severance payments 10.7 years (2021: 12.3 years).

Although analysis does not take into account the full distribution of expected cash flows based on the plan, it does provide an approximate value for the sensitivity of the assumptions presented.

32) Other liabilities

Euro thousand	31 Dec 2022	31 Dec 2021
Deferred items	2,332	1,938
Other liabilities	82,580	131,318
Negative fair values of derivative instruments	272,887	284,974
Other liabilities	**357,799**	**418,231**

Other liabilities essentially consist of taxes and fiscal liabilities in the amount of euro 21,033 thousand (2021: euro 47,239 thousand), auxiliary accounts of the banking business in the amount of euro 18,537 thousand (2021: euro 20,058 thousand), liabilities to employees in the amount of euro 17,645 thousand (2021: euro 17,898 thousand) as well as deferrals and trade payables in the amount of euro 15,965 thousand (2021: euro 33,788 thousand).

In addition to derivatives that are used for hedge accounting in accordance with IFRS 9, the position negative market values of derivative instruments also includes derivatives in the amount of eur 9,045 thousand (2021: eur 22,604 thosand) that are used for managing interest rate risks in the banking book.

The table below shows the negative fair values of derivatives included in the item other liabilities which are used in hedge accounting according to IFRS 9:

	31 Dec 2022		31 Dec 2021	
Euro thousand	**Fair value hedge**	**Cash flow hedge**	**Fair value hedge**	**Cash flow hedge**
Exchange rate related transactions	0	0	1,579	0
Interest rate related transactions	262,847	996	260,755	37
Negative fair values of derivative instruments	**262,847**	**996**	**262,334**	**37**

33) Subordinated liabilities

Euro thousand	31 Dec 2022	31 Dec 2021
Subordinated capital	451,719	484,268
Supplementary capital	2,343	9,892
Subordinated liabilities	**454,062**	**494,160**

Subordinated liabilities are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2022	31 Dec 2021
On demand	0	701
Up to 3 months	55	11,104
Up to 1 year	6,346	28,571
Up to 5 years	439,301	40,137
More than 5 years	8,360	413,648
Subordinated liabilities	**454,062**	**494,160**

Cash inflow and cash outflow of subordinated liabilities

Euro thousand	Subordinated liabilities
As at 01 Jan 2021	**576,811**
Cash inflow	0
Cash outflow	-83,068
Non-cash changes	
Others	418
Total non-cash changes	418
As at 31 Dec 2021	**494,160**
Cash inflow	0
Cash outflow	-40,373
Non-cash changes	
Others	275
Total non-cash changes	275
As at 31 Dec 202	**454,062**

The issued open amount of every subordinated emission is less than 10 % of the total volume of subordinated liabilities. In subordinated liabilities with a residual term of more than five years no volume is included without a determined residual term. Every subordinated emission has the possibility of termination or repayment soonest after five years with the prior consent of the FMA in accordance with article 77 CRR.

34) Equity

Due to the requirements imposed by CRR, in the 2013 business year the Volksbanks began to amend the cooperatives' articles of association and to introduce a base amount for cooperative capital. This prevents redemption of a cooperative share if such redemption would cause the total nominal value of members' shares to fall below a certain percentage of the maximum total nominal value reported on a balance sheet date (base amount). This percentage has been set at 95 % for the Volksbanks. Under IFRIC 2 – Members' Shares in Cooperative Entities and Similar Instruments – cooperative capital may only be reported as equity if there is an unconditional prohibition on redemption of members' shares. An unconditional prohibition may also be partial. Beginning in the 2013 business year, members' shares within the base amount in cooperatives that have already legally implemented the base amount rule were therefore reclassified as subscribed capital. Shares held in the Association reduce the members' shares within the base amount. The reclassification is shown on a separate line in the statement of changes in equity. All shares have been fully paid up.

The following table shows the breakdown and development of the retained earnings and other reserves:

		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**
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	219,144							219,144
Other comprehensive income		6,509		4,536	-850	-30	-1,621	8,545
Dividends paid	-124,280							-124,280
Coupon for the AT1 emission	-17,050							-17,050
Changes scope of consolidation	-8,697			5,542				-3,155
Change in cooperative capital and participation capital	-15,560							-15,560
Change in treasury stocks	-120							-120
Reclassification fair value reserve due to sale	526			-526				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	-55	-68						-123
As at 31 Dec 2021	**2,250,699**	**-32,969**	**2,234**	**-910,508**	**214**	**-30**	**374**	**1,310,014**
Consolidated net income	114,847							114,847
Other comprehensive income	9	20,316	60	3,246	-7,869	-730	587	15,618
Dividends paid	-6,956							-6,956
Coupon for the AT1 emission	-17,050							-17,050
Changes scope of consolidation	-768	0	0	0	0	0	0	-768
Change in cooperative capital and participation capital	-81							-81
Change in treasury stocks	0							0
Reclassification fair value reserve due to sale	565			-565				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	16							16
As at 31 Dec 2022	**2,341,281**	**-12,653**	**2,294**	**-907,828**	**-7,655**	**-760**	**961**	**1,415,640**

Return on total assets

The return on total assets for the business year 2022 was 0.39 % (2021: 0.68 %) and was calculated as the ratio of the annual result after taxes to total assets as at the reporting date.

Non-controlling interest

Company name	Minority interest 2022	2021	Assignment
3V-Immobilien Errichtungs-GmbH; Wien	0.000 %	<0.001 %	Other companies
Gärtnerbank Immobilien GmbH; Wien	<0.001 %	<0.001 %	Other companies
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH; Wien	<0.001 %	<0.001 %	Other companies
VB Verbund-Beteiligung Region Wien eG in Liqu.; Wien	0.000 %	9.360 %	Other companies
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	1.000 %	1.000 %	Other companies
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.; Wien	0.005 %	0.005 %	Other companies

The following table presents the financial information for all companies in aggregated form as they are immaterial.

Additional information non-controlling interest

Euro thousand	Other companies 2022	2021
Assets		
Loans and receivables credit institutions	6,156	35,095
Loans and receivables customers	214	204
Other assets	15,321	15,991
Total assets	**21,691**	**51,291**
Liabilities and Equity		
Amounts owed to credit institutions	2,864	6,697
Other liabilities	2,220	3,047
Equity	16,606	41,546
Total liabilities	**21,691**	**51,291**
Statement of comprehensive income		
Interest and similar income	13	13
Interest and similar expense	-117	-122
Net interest income	-103	-109
Rental income from investment property and operating lease	443	401
Result before taxes	4,038	241
Income taxes	-245	-55
Result after taxes	3,793	186
Comprehensive income	**3,793**	**186**

As these companies keep no liquid funds and the business activity can be assigned to operational business activity a cash flow statement with regards to IAS 1.31 is not presented.

35) Own funds

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

Euro thousand	31 Dec 2022	31 Dec 2021
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	786,904	787,067
Retained earnings	1,668,483	1,622,148
Accumulated other comprehensive income (and other reserves)	-268,910	-326,664
Amount of capital instruments subject to phase out from CET1	0	3,336
Common tier I capital before regulatory adjustments	2,186,476	2,085,886
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-1,373	-1,687
Cash flow hedge reserve	760	30
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-961	-374
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	11	1
Value adjustments due to the requirement for prudent valuation	-1,275	-1,092
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-34,044	-9,560
Insufficient coverage for non-performing exposures	-4,407	-5,026
Other foreseeable tax charges	-210	-219
Regulatory adjustments - transitional provisions	44,045	36,635
Adjustments to be made due to transitional regulations under IFRS 9	44,045	36,635
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET1 deductions pursuant to article 3 CRR	-163,927	-126,359
Total regulatory adjustments	-161,381	-107,651
Common equity tier I capital - CET1	**2,025,095**	**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)	**2,245,095**	**2,198,235**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	408,640	438,533
Capital instruments subject to phase out from tier II	0	21,591
Tier II capital before regulatory adjustments	408,640	460,124
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**408,640**	**460,124**
Own funds total - TC (T1 + T2)	**2,653,735**	**2,658,359**
Common equity tier I capital ratio	14.24 %	14.37 %
Tier I capital ratio	15.79 %	15.97 %
Equity ratio	18.66 %	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	31 Dec 2022	31 Dec 2021
Risk weighted exposure amount - credit risk	12,915,070	12,496,033
Total risk exposure amount - settlement risk	109	0
Total risk exposure amount for position, foreign exchange and commodities	20,971	27,414
Total risk exposure amount for operational risk	1,268,662	1,230,868
Total risk exposure amount for credit valuation adjustment (cva)	13,135	8,914
Total risk exposure amount	**14,217,946**	**13,763,229**

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

Euro thousand	31 Dec 2022	31 Dec 2021
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	786,904	787,067
Retained earnings	1,668,483	1,622,148
Accumulated other comprehensive income (and other reserves)	-268,910	-326,664
Common tier I capital before regulatory adjustments	2,186,476	2,082,551
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-1,373	-1,687
Cash flow hedge reserve	760	30
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-961	-374
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	11	1
Value adjustments due to the requirement for prudent valuation	-1,275	-1,092
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-34,044	-9,560
Insufficient coverage for non-performing exposures	-4,407	-5,026
Other foreseeable tax charges	-210	-219
Additional CET1 deductions pursuant to article 3 CRR	-163,927	-126,359
Total regulatory adjustments	-205,426	-144,286
Common equity tier I capital - CET1	**1,981,050**	**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)	**2,201,050**	**2,158,264**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	408,640	438,533
Tier II capital before regulatory adjustments	408,640	438,533
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**408,640**	**438,533**
Own funds total - TC (T1 + T2)	**2,609,690**	**2,596,797**
Common equity tier I capital ratio	13.98 %	14.11 %
Tier I capital ratio	15.53 %	15.72 %
Equity ratio	18.41 %	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	31 Dec 2022	31 Dec 2021
Risk weighted exposure amount - credit risk	12,871,025	12,466,157
Total risk exposure amount - settlement risk	109	0
Total risk exposure amount for position, foreign exchange and commodities	20,971	27,414
Total risk exposure amount for operational risk	1,268,662	1,230,868
Total risk exposure amount for credit valuation adjustment (cva)	13,135	8,914
Total risk exposure amount	**14,173,901**	**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 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 control of the parent or where the Group holds a majority of shares are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing bankingrelated auxiliary services controlled by the parent but not significant for the presentation of the group of credit institutions according to section 19 (1) of CRR is deducted from own funds. Subsidiaries 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 section 46 CRR. All other participating interests 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 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.

36) 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
31 Dec 2022					
Liquid funds	3,473,153	0	0	3,473,153	3,473,153
Loans and receivables credit institutions (gross)	123,049	0	0	123,049	
Loans and receivables credit institutions less accumulated impairment	123,049	0	0	123,049	117,050
Loans and receivables customers (gross)	22,133,939	0	396,364	22,530,304	
Accumulated impairment	-141,263	0	0	-141,263	
Loans and receivables customers less accumulated impairment	21,992,676	0	396,364	22,389,041	21,530,498
Assets held for trading	0	0	25,592	25,592	25,592
Financial investments (gross)	2,293,548	80,708	4,505	2,378,760	
Accumulated impairment	0	0	0	0	
Financial investments less accumulated impairment	2,293,548	80,708	4,505	2,378,760	2,288,175
Participations	0	126,898	0	126,898	126,898
Derivative instruments	0	0	273,097	273,097	273,097
Financial assets total	**27,882,426**	**207,605**	**699,558**	**28,789,589**	**27,834,462**
Amounts owed to credit institutions	1,812,239	0	0	1,812,239	1,798,967
Amounts owed to customers	22,105,335	0	0	22,105,335	22,090,063
Debts evidenced by certificates	1,614,228	0	67,301	1,681,529	1,691,656
Lease liabilities	171,893	0	0	171,893	171,893
Liabilities held for trading	0	0	27,835	27,835	27,835
Derivative instruments	0	0	272,887	272,887	272,887
Subordinated liabilities	454,062	0	0	454,062	423,639
Financial liabilities total	**26,157,758**	**0**	**368,023**	**26,525,781**	**26,476,941**
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	
Accumulated impairment	0	0	0	0	
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**

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

Euro thousand	Level 1	Level 2	Level 3	Total
31 Dec 2022				
Loans and receivables credit institutions	0	0	0	0
Loans and receivables customers	0	0	396,364	396,364
Assets held for trading	544	25,048	0	25,592
Financial investments	82,941	2,272	0	85,212
Fair value through profit or loss	2,952	1,553	0	4,505
Fair value through OCI	79,988	719	0	80,708
Participations	0	0	126,594	126,594
Fair value through OCI - designated	0	0	126,594	126,594
Derivative instruments	0	273,097	0	273,097
Financial assets total	**83,485**	**300,417**	**522,958**	**906,860**
Debts evidenced by certificates	0	0	67,301	67,301
Liabilities held for trading	0	27,835	0	27,835
Derivative instruments	0	272,887	0	272,887
Financial liabilities total	**0**	**300,722**	**67,301**	**368,023**
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**

Please refer to note 3) t) for a description of the valuation procedures used for participations. Due to immateriality participations in the amount of euro 304 thousand (2021: euro 318 thousand) are measured at cost as their fair value cannot be reliably determined.

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 such as credit spreads and 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 2022, as in the previous year, there were no reclassifications of financial instruments between Levels 1 and 2.

Development of Level 3 fair values of financial assets

EUR Tsd.	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**
Change in the scope of consolidation	0	0	0	0	0	0	0
Reallocation to level 3	0	0	0	0	0	0	0
Additions	0	45,002	0	323	45,325	774	774
Disposals	-363	-97,321	-79,380	-1,518	-178,582	0	0
Valuation							
Through profit or loss	3	1,396	1,235	0	2,634	-6,631	-6,631
Through OCI	0	0	0	3,708	3,708	2,161	2,161
As at 31 Dec 2021	**58**	**346,154**	**0**	**130,270**	**476,483**	**86,179**	**86,179**
Change in the scope of consolidation	0	0	0	35	35	0	0
Reallocation to level 3	0	0	0	14	14	0	0
Additions	0	122,005	0	19	122,023	1,020	1,020
Disposals	-59	-58,486	0	-3,636	-62,181	-1,000	-1,000
Valuation							
Through profit or loss	0	-13,309	0	0	-13,308	-18,132	-18,132
Through OCI	0	0	0	-108	-108	-766	-766
As at 31 Dec 2022	**0**	**396,364**	**0**	**126,594**	**522,958**	**67,301**	**67,301**

The valuations shown in the table above are included in the item income from financial instruments and investment properties (income statement) or fair value reserve (other comprehensive income). The valuations recorded in the income statement include holdings of financial assets and liabilities in the amount of euro 5,316 thousand (2021: euro 6,839 thousand) at the reporting date.

For the valuation of loans and receivables, the cash flows of these loans are discounted 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 their 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.

In the financial year 2022, all participation certificates were sold that are allocated to Level 3 of the fair value hierarchy within financial investments. For details on the disposal, see note 8).

Apart from measurement parameters and the static master data (derived from the payment profile as shown in the prospectus) that can be derived from the market, only the funding premiums for covered bonds are used in the calculation of fair values for issues. Therefore, only these input parameters are subjected to a scenario analysis. For this purpose, the funding curve is subjected to a shift of 0.30 %. Such a shift is considered realistic by the relevant experts at VBW.

The following table shows the change of the fair value after adjustment of the input factors described above:

31 Dec 2022 Euro thousand	Positive change in fair value	Negative change in fair value
Change in markup +/- 30 bp	1,613	-1,586
31 Dec 2021		
Change in markup +/- 30 bp	2,186	-2,113

The sensitivity analyses for the fair values of loans and receivables credit institutions and customers is described in note 13).

The sensitivity analyses for the fair values of investment property (IAS 40) is described in note 17).

The sensitivity analyses for the fair values of participations is described in note 19).

The fair value of financial instruments which are not measured at fair value is calculated solely for disclosure purposes within the notes. Therefore, it has no influence on the Group´s balance sheet or the Group´s statement of comprehensive income.

The following table assigns all financial assets and liabilities not measured at fair value to various fair value hierarchies:

Euro thousand	Level 1	Level 2	Level 3	Fair value total	Carrying amount
31 Dec 2022					
Liquid Funds	0	3,473,153	0	3,473,153	3,473,153
Loans and receivables credit institutions (gross)					123,049
Loans and receivables credit institutions less accumulated impairment	0	0	117,050	117,050	123,049
Loans and receivables customers (gross)					22,133,939
Accumulated impairment					-141,263
Loans and receivables customers less accumulated impairment	0	0	21,134,134	21,134,134	21,992,676
Financial investments (gross)					2,293,548
Financial investments less accumulated impairment	2,196,308	6,655	0	2,202,963	2,293,548
Financial assets total	**2,196,308**	**3,479,807**	**21,251,184**	**26,927,299**	**27,882,426**
Amounts owed to credit institutions	0	0	1,798,967	1,798,967	1,812,239
Amounts owed to customers	0	0	22,090,063	22,090,063	22,105,335
Debts evidenced by certificates	0	0	1,624,355	1,624,355	1,614,228
Lease liabilities	0	0	171,893	171,893	171,893
Subordinated liabilities	0	0	423,639	423,639	454,062
Financial liabilities total	**0**	**0**	**26,108,917**	**26,108,917**	**26,157,758**
31 Dec 2021					
Liquid Funds	0	6,921,391	0	6,921,391	6,921,391
Loans and receivables credit institutions (gross)					256,532
Loans and receivables credit institutions less accumulated impairment	0	0	265,105	265,105	256,532
Loans and receivables customers (gross)					21,490,338
Accumulated impairment					-167,483
Loans and receivables customers less accumulated impairment	0	0	22,106,136	22,106,136	21,322,855
Financial investments (gross)					2,297,529
Financial investments less accumulated impairment	2,326,868	904	0	2,327,772	2,297,529
Financial assets total	**2,326,868**	**6,922,295**	**22,371,241**	**31,620,405**	**30,798,306**
Amounts owed to credit institutions	0	0	3,829,200	3,829,200	3,796,629
Amounts owed to customers	0	0	22,739,061	22,739,061	22,746,798
Debts evidenced by certificates	0	0	1,778,961	1,778,961	1,790,423
Lease liabilities	0	0	169,155	169,155	169,155
Subordinated liabilities	0	0	500,630	500,630	494,160
Financial liabilities total	**0**	**0**	**29,017,006**	**29,017,006**	**28,997,165**

For financial instruments that are largely short-term in nature, the carrying amount is an adequate estimate of fair value.

For long-term financial instruments, fair value is calculated by discounting contractual cash flows. In case of assets, interest rates are used that could have been obtained for assets with similar residual durations and default risks (especially estimated defaults for lending receivables). For liabilities, interest rates used are those with which corresponding liabilities with similar residual durations could have been incurred or issued as at the reporting date.

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.

37) Derivatives

Derivative financial instruments

			Face value			Fair Value
Euro thousand 2022	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**	**31 Dec 2022**
Interest related transactions	63,819	91,583	2,831,921	2,705,362	5,692,684	5,613
Caps & Floors	3,319	6,277	59,589	114,816	184,001	-894
Interest rate swaps	60,500	85,306	2,772,332	2,590,546	5,508,684	6,507
Exchange rate related transactions	126,187	107,557	252,906	101,551	588,201	-2,986
Cross currency interest rate swaps	0	100,761	252,906	101,551	455,218	-3,967
FX swaps	126,187	5,765	0	0	131,952	981
Forward exchange transactions	0	1,031	0	0	1,031	0
Other transactions	5,886	2,786	5,208	90,163	104,042	-5,205
Options	5,886	2,786	5,208	90,163	104,042	-5,205
Total	**195,892**	**201,925**	**3,090,035**	**2,897,076**	**6,384,927**	**-2,578**
2021						
Interest related transactions	201,264	116,958	2,106,880	2,971,238	5,396,340	-189,769
Caps & Floors	11,264	5,866	41,779	138,754	197,664	-253
Interest rate swaps	190,000	111,092	2,065,101	2,832,483	5,198,676	-189,516
Exchange rate related transactions	221,510	65,514	329,227	94,122	710,374	-16,644
Cross currency interest rate swaps	93,301	45,831	329,227	94,122	562,481	-9,690
FX swaps	125,733	18,868	0	0	144,601	-6,954
Forward exchange transactions	2,476	815	0	0	3,291	0
Other transactions	9,391	3,104	8,579	84,743	105,817	-5,842
Options	9,391	3,104	8,579	84,743	105,817	-5,842
Total	**432,165**	**185,577**	**2,444,686**	**3,150,102**	**6,212,530**	**-212,255**

All derivative financial instruments – except for futures – are OTC products.

The following table shows fair values divided into balance sheet items:

2022 Euro thousand	Assets	Liabilities	Total
Interest related transactions	25,048	27,835	-2,787
Exchange rate related transactions	0	0	0
Trading portfolio	**25,048**	**27,835**	**-2,787**
Interest related transactions	272,334	263,934	8,400
Exchange rate related transactions	514	3,500	-2,986
Other transactions	249	5,454	-5,205
Other assets / liabilities	**273,097**	**272,887**	**209**
Total	**298,145**	**300,722**	**-2,578**
Sum interest related transactions	297,382	291,769	5,613
Sum exchange rate related transactions	514	3,500	-2,986
Sum other transactions	249	5,454	-5,205

2021 Euro thousand	Assets	Liabilities	Total
Interest related transactions	39,250	42,397	-3,146
Exchange rate related transactions	13	0	13
Trading portfolio	**39,263**	**42,397**	**-3,133**
Interest related transactions	74,301	260,924	-186,622
Exchange rate related transactions	671	17,328	-16,657
Other transactions	881	6,723	-5,842
Other assets / liabilities	**75,853**	**284,974**	**-209,122**
Total	**115,116**	**327,371**	**-212,255**
Sum interest related transactions	113,552	303,320	-189,769
Sum exchange rate related transactions	684	17,328	-16,644
Sum other transactions	881	6,723	-5,842

38) Hedging

The interest rate risk is hedged using fair value hedge and cash flow hedge accounting. Although the strict 80 - 125 % hedge effectiveness requirement has been removed by IFRS 9, it is still applied within the Association of Volksbanks in order to detect any potential ineffectiveness promptly and restore effectiveness by adjusting the hedge ratio. The effectiveness is measured with the dollar offset method on a monthly basis, which compares the fair value changes in the hedged as well as in the hedging instrument.

Apart from micro fair value hedge and micro cash flow hedge accounting, the Association of Volksbanks applies the regulations for the recognition of the fair value hedge of a portfolio against interest rate risks. From the portfolio identified, the Association of Volksbanks will define an amount of sight deposits and/or loans and receivables customers as the underlying transaction to be hedged. For sight deposits, the Association of Volksbanks applies the EU carve-out under IAS 39 that permits to designate sight deposits as part of a hedging relationship on the basis of the expected or modelled withdrawal dates and maturities. The additions to and disposals from the sight deposits are initially allocated to the non-designated part of the portfolios identified, using the bottom layer approach. For loans and receivables customers, the loans are clustered by similar fixed interest term and design (redemptions, payment dates). Moreover, the customer segment is taken into account in selecting the portfolios (commercial loans, private housing loans). This is done because of the potentially different customer behaviour in terms of early repayments.

For the purpose of balance sheet recognition, the value changes of the underlying transactions that are due to the risk hedged are reported separately in the balance sheet under fair value changes of the underlying transactions, either in Loans and receivables customers (see note 13) or in Amounts owed to customers (see note 26). Value changes of underlying and hedging transaction are reported in the same period, in the income statement in the item Result from fair value (see note 8).

In the financial year 2022, no single hedging relationship required an adjustment of the hedge ratio.

The ineffectiveness from hedge relationships recognised in the result from fair value hedges amounts to euro -909 thousand at the Association of Volksbanks in the 2022 financial year (2021: euro -1,805 thousand), whereas the face value of the hedged items as at 31 December 2022 amounts to a total of euro 4,718,209 thousand (2021: euro 4,055,718 thousand). Ineffectiveness therefore corresponds to only 0.02 % (2021: 0.04 %) of the hedge portfolio. The hedging strategy in the Association of Volksbanks is therefore highly effective.

The following tables provide detailed information on hedging instruments and hedged items for fair value hedges and cash flow hedges. The hedging instruments are reported in the balance sheet under positive / negative fair values from derivative financial instruments. The ineffectiveness of fair value hedges and cash flow hedges is presented in the income statement in the result from fair value hedges. The amounts reclassified from the cash flow hedge reserve are reported in net interest income.

The face value of derivatives designated as hedging instruments for fair value hedges is as follows, according to balance sheet items that include the underlying transactions:

	Interest rate swaps				
Euro thousand 31 Dec 2022	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
Loans and receivables customers	0	1,500	271,771	832,044	1,105,315
Financial investments	0	54,000	454,350	914,950	1,423,300
Amounts owed to customers	0	0	0	20,000	20,000
Debts evidenced by certificates	0	10,000	1,635,000	528,850	2,173,850
31 Dec 2021					
Loans and receivables customers	0	0	210,167	946,788	1,156,955
Financial investments	0	0	319,700	844,950	1,164,650
Amounts owed to customers	0	0	0	0	0
Debts evidenced by certificates	0	0	1,195,000	530,000	1,725,000

	Cross currency interest rate swaps				
Euro thousand 31 Dec 2022	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
Loans and receivables customers	0	0	0	0	0
Financial investments	0	0	0	0	0
Debts evidenced by certificates	0	0	0	0	0
31 Dec 2021					
Loans and receivables customers	0	0	0	0	0
Financial investments	0	14,870	0	0	14,870
Debts evidenced by certificates	0	0	0	0	0

The face value of derivatives designated as hedging instruments for cash flow hedges is as follows, according to balance sheet items that include the underlying transactions:

	Interest rate swaps				
Euro thousand 31 Dec 2022	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
Loans and receivables customers	0	0	0	4,973	4,973
31 Dec 2021					
Loans and receivables customers	0	0	0	5,259	5,259

The following table shows interest rate swaps designated as hedging instruments in fair value hedges broken down by the type of the related hedged items:

Euro thousand 31 Dec 2022	**Face value**	**Carrying amount assets**	**Carrying amount liabilities**	**Changes in fair value used for calculating hedge ineffectiveness for the current year**	**Ineffectiveness recognised in profit or loss**
Loans and receivables customers measured at amortised cost	1,105,315	138,291	17	146,225	-38
Financial investments measured at amortised cost	1,423,300	121,493	56,981	292,622	3,045
Amounts owed to customers	20,000	0	118	-146	92
Debts evidenced by certificates - bonds measured at amortised cost	2,173,850	4,510	205,731	-220,717	-3,840
Interest rate swaps total	**4,722,465**	**264,293**	**262,847**	**217,984**	**-740**
31 Dec 2021					
Loans and receivables customers measured at amortised cost	1,156,955	9,384	16,039	33,438	-381
Financial investments measured at amortised cost	1,164,650	6,050	234,491	78,741	-3,060
Amounts owed to customers	0	0	0	0	0
Debts evidenced by certificates - bonds measured at amortised cost	1,725,000	28,974	10,225	-48,348	1,625
Interest rate swaps total	**4,046,605**	**44,407**	**260,755**	**63,831**	**-1,816**

The following table shows a breakdown of the corresponding hedged items:

Euro thousand 31 Dec 2022	Carrying amount assets	Carrying amount liabilities	Basis adjustment	Changes in value used for calculating hedge ineffectiveness for the current year	Status of the basis adjustment to be amortised of hedged items that are no longer in a hedging relationship
Loans and receivables customers measured at amortised cost	1,105,659	0	-140,162	-146,262	0
thereof loans and receivables customers hedged with portfolio hedges	1,097,549	0	-139,314	-145,405	0
Financial investments measured at amortised cost	1,419,285	0	-71,349	-289,577	0
Amounts owed to customers	0	20,000	-238	238	0
thereof amounts owed to customers hedged with portfolio hedges	0	20,000	-238	238	0
Debts evidenced by certificates - bonds measured at amortised cost	0	2,165,774	-202,890	216,877	5,558
Hedged items of interest rate swaps total	**2,524,944**	**2,185,774**	**-414,639**	**-218,724**	**5,558**
31 Dec 2021					
Loans and receivables customers measured at amortised cost	1,195,527	0	6,100	-33,819	0
thereof loans and receivables customers hedged with portfolio hedges	1,185,938	0	6,092	-33,606	0
Financial investments measured at amortised cost	1,163,330	0	218,228	-81,800	36
Amounts owed to customers	0	0	0	0	0
thereof amounts owed to customers hedged with portfolio hedges	0	0	0	0	0
Debts evidenced by certificates - bonds measured at amortised cost	0	1,715,144	13,988	49,973	9,037
Hedged items of interest rate swaps total	**2,358,857**	**1,715,144**	**238,316**	**-65,646**	**9,073**

The following table shows cross currency interest rate swaps designated as hedging instruments in fair value hedges broken down by type of the related hedged item:

Euro thousand 31 Dec 2022	Face value	Carrying amount assets	Carrying amount liabilities	Changes in fair value used for calculating hedge ineffectiveness for the current year	Ineffectiveness recognised in profit or loss
Financial investments measured at amortised cost	0	0	0	-3	-169
Cross currency interest rate swaps total	**0**	**0**	**0**	**-3**	**-169**
31 Dec 2021					
Financial investments measured at amortised cost	14,870	0	1,579	987	11
Cross currency interest rate swaps total	**14,870**	**0**	**1,579**	**987**	**11**

The following table shows a breakdown of the corresponding hedged items:

Euro thousand 31 Dec 2022	Carrying amount assets	Carrying amount liabilities	Basis adjustment	Changes in value used for calculating hedge ineffectiveness for the current year	Status of the basis adjustment to be amortised of hedged items that are no longer in a hedging relationship
Financial investments measured at amortised cost	0	0	0	-166	0
Hedged items of cross currency interest rate swaps total	**0**	**0**	**0**	**-166**	**0**
31 Dec 2021					
Financial investments measured at amortised cost	16,091	0	166	-976	0
Hedged items of cross currency interest rate swaps total	**16,091**	**0**	**166**	**-976**	**0**

The following table shows interest rate swaps designated as hedging instruments in cash flow hedges broken down by the type of the related hedge items:

Euro thousand 31 Dec 2022	Face value	Carrying amount assets	Carrying amount liabilities	Changes in fair value used for calculating hedge ineffectiveness for the current year	Ineffectiveness recognised in profit or loss	Change in fair value (effective hedge)	Net amount transferred to profit or loss
Loans and receivables customers measured at amortised cost	4,973	0	996	-730	0	-720	-10
Interest rate swaps total	**4,973**	**0**	**996**	**-730**	**0**	**-720**	**-10**
31 Dec 2021							
Loans and receivables customers measured at amortised cost	5,259	0	37	-30	0	-11	-18
Interest rate swaps total	**5,259**	**0**	**37**	**-30**	**0**	**-11**	**-18**

The following table shows a breakdown of the corresponding hedged items:

Euro thousand 31 Dec 2022	Carrying amount assets	Changes in value used for calculating hedge ineffectiveness for the current year
Loans and receivables customers measured at amortised cost	4,973	0
Hedged items of interest rate swaps total	**4,973**	**0**
31 Dec 2021		
Loans and receivables customers measured at amortised cost	5,259	0
Hedged items of interest rate swaps total	**5,259**	**0**

Hedged items total (fair value hedge and cash flow hedge)

Euro thousand 31 Dec 2022	Interest rate risk
Financial assets	2,529,917
Financial liabilities	2,185,774
31 Dec 2021	**Interest rate risk**
Financial assets	2,380,207
Financial liabilities	1,715,144

39) Assets and liabilities denominated in foreign currencies

At balance sheet date, assets denominated in foreign currencies totalled euro 587,247 thousand (2021: euro 668,992 thousand), whereas liabilities denominated in foreign currencies amounted euro 148,805 thousand (2021: euro 187,017 thousand).

40) Trust transactions

Euro thousand	31 Dec 2022	31 Dec 2021
Trust assets		
Loans and receivables customers	70,752	74,283
Other assets	128	0
Trust liabilities		
Amounts owed to customers	70,752	74,283
Other liabilities	128	0

41) Subordinated assets

Euro thousand	31 Dec 2022	31 Dec 2021
Loans and receivables customers	600	1,100

42) Assets pledged as collateral for the Group's liabilities

Euro thousand	31 Dec 2022	31 Dec 2021
Assets pledged as collateral		
Loans and receivables customers	490,786	417,343
Financial investments	10,328	13,535
Liabilities for which assets have been pledged as collateral		
Amounts owed to credit institutions	490,786	417,343
Amounts owed to customers	10,328	13,535

In the context of corporate funding via Oesterreichische Kontrollbank (OeKB), loans and receivables customers in the amount of euro 60 million (2021: euro 64 million) have been provided as collateral. These loans and receivables are guaranteed by means of Austrian government default guarantees, private insurance policies and draft guarantees. OeKB may not repledge or sell these loans and receivables customers if the Group performs in accordance with the contract.

Loans and receivables customers of euro 430 million were provided as collateral for OeNB refinancing in the 2022 business year (2021: euro 353 million).

Within the scope of gilt-edged savings deposits, financial investments in the amount of euro 10 million (2021: euro 14 million) are held as securities.

43) Contingent liabilities and credit risks

Euro thousand	31 Dec 2022	31 Dec 2021
Contingent liabilities		
Liabilities arising from guarantees	702,944	764,832
Others (amounts guaranteed)	24,612	21,236
Commitments		
Unutilised loan commitments	3,458,162	3,396,504

If the management estimates a cash outflow for financial guarantees, a stage 3 provision is built for off-balance risks to the amount of the probable cash outflow under consideration of possible available collaterals. Therefore, the provision amounts to euro 8,620 thousand (2021: euro 7,660 thousand).

The Association of Volksbanks is involved in various judicial proceedings both as plaintiff and as defendant. These proceedings are due to current banking business. The volume of the proceedings is not unusual. The outcome of the proceedings is not expected to have significant impact on the financial situation and profitability of the Association of Volksbanks.

Additionally, there are no government interventions, judicial or arbitral proceedings (including those that are still pending or might yet be initiated according to the knowledge of the Association of Volksbanks) that have existed or were completed within the last twelve months and have a significant impact on the financial situation or profitability of the Association of Volksbanks, or have recently had such an impact.

44) Repurchase transactions and other transferred assets

As at 31 December 2022, the Association as pledgor had buy-back commitments under genuine repurchase agreements in the amount of euro 19,978 thousand (2021: euro 21,195 thousand).

The balance sheet does not contain any further financial assets for which material risks or rewards were retained.

45) 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
31 Dec 2022				
Loans and receivables customers	6,101	26,140	0	0
Bonds and other fixed-income securities	0	0	0	457,854
Amounts owed to customers	8,343	18,720	40,929	0
Provisions	15	0	55	0
Contingent liabilities arising from guarantees	1,500	0	11,094	0
Transactions	17,216	21,968	40,960	0
Administrative expenses	-609	-74,275	0	0
Other operating income	404	189	191	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	11,094	0
Transactions	25,523	16,590	54,098	
Administrative expenses	-1,137	-65,629	0	0
Other operating income	508	274	209	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 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.

Loans and advances granted to key management personnel during the business year

Euro thousand	31 Dec 2022	31 Dec 2021
Outstanding loans and receivables	2,264	1,575
Redemptions	235	80
Interest payments	51	8

The definition of key management personnel can be found in note 1) a).

46) Disclosures on mortgage banking in accordance with the Austrian Mortgage Bank Act, including covered bonds

Euro thousand	Covering loans	Coverage requirements debts evidenced by certificates	Surplus cover
31 Dec 2022			
Covered bonds			
Amortised cost	5,262,557	1,317,840	3,944,717
Fair value through profit or loss	203,659	51,000	152,659
Total	**5,466,216**	**1,368,840**	**4,097,376**
31 Dec 2021			
Covered bonds			
Amortised cost	3,200,676	1,317,840	1,882,836
Fair value through profit or loss	85,531	52,020	33,511
Total	**3,286,207**	**1,369,860**	**1,916,347**

The required coverage for debts evidenced by certificates includes surplus cover of 2 % calculated based on the face value of all outstanding mortgage bonds and all outstanding covered bonds.

47) Branches

	31 Dec 2022	31 Dec 2021
Branches domestic	**236**	**243**

48) Subsequent events

On 27 February 2023, the rating agency Moody's upgraded the rating of VBW. The deposit rating of the bank has improved by two rating notches from Baa1 to A2. The reasons stated by Moody's for the upgrade are improved capitalisation, good and stable credit quality, the early repayment of the government's participation right associated with increased internal financing, the improved cost structure, as well as increased profitability.

49) Segment reporting

The Association has ten segments corresponding to its strategic business fields. The segments are a match to the eight regional banks and the specialist institution. In addition, the CO function of VBW is reported separately. These divisions reflect the different regions and services of the Association and are controlled in varying ways in accordance with the internal management and reporting structure. Control is based on the individual merger groups/regional banks and their subordinate entities. In the case of VBW, reporting is based on allocation to the CO or Retail profit centres, which means that all results of VBW and its subordinate entities are allocated to these two profit centres.

The measurement and accounting principles used in the consolidated financial statements are also applied to the segment reporting. Net interest income of profit centres is calculated according to the market interest method. Transfer prices for investments and refinancing between corporate entities are in line with standard market conditions.

CO

The CO segment comprises the top institution activities as well as the CO duties for the entire Austrian Association of Volksbanks. Treasury is primarily responsible for obtaining liquidity on the money and capital markets and for balancing liquidity within the Association of Volksbanks. Liquidity control in connection with regulatory requirements on managing the banking in the areas of liquidity and interest rate risk is another key component of VBW's tasks as top institution and CO.

The syndicated financing division, including large-scale house-building, belongs to this profit centre. VBW provides its services as a syndicate partner for large loan commitments held by commercial clients of the Volksbanks. This item also includes the results of VB Services für Banken Gesellschaft m.b.H., which provides the Volksbanks with services in the area of technical processing of payment transactions and securities, loan processing and other back office services, and VB Infrastruktur und Immobilien GmbH, which provides facility management and infrastructure services.

Finally, all other activities that are undertaken in managing the Association of Volksbanks and performed by VBW as the CO within the meaning of the CRR and the Austrian Banking Act are reported.

Regional banks

The eight regional bank segments comprise standard banking services for retail customers, SMEs and commercial clients in the areas of investment and financing, advisory and investment services for securities, payment services, brokerage of insurance products, and foreign exchange business in the different regions.

These services are typically provided through the branches as well as through the internet and direct sales. The regional banks and their subordinated companies are likewise recognised in the relevant segments.

ÖÄAB

The segment ÖÄAB comprise Österreichische Ärzte- und Apothekerbank AG which provide Association of Volksbanks services to their specific customer groups.

Consolidation

Consolidation matters are reported separately from other activities in the consolidation column. These items contain amounts arising from consolidation processes that are not performed within a segment.

1-12/2022 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	15,174	112,525	66,686	48,724	28,442
Risk provision	777	-10,304	-3,493	47	-1,360
Net fee and comission income	-6,085	65,924	33,941	25,341	15,616
Net trading income	1,217	276	385	224	258
Result from financial instruments and investment properties	-7,454	-1,386	-736	-1,670	-876
Other operating result	156,021	-7,535	-11,958	-8,224	-3,694
General administrative expenses	-137,279	-129,530	-74,060	-54,350	-35,507
Result from companies measured at equity	0	-528	-59	0	0
Annual result before taxes	**22,372**	**29,443**	**10,706**	**10,091**	**2,877**
Income taxes	9,985	5,170	-5,112	2,089	-1,175
Annual result after taxes	**32,356**	**34,612**	**5,593**	**12,180**	**1,702**
31 Dec 2022					
Total assets	**8,832,508**	**6,726,795**	**3,657,631**	**2,776,588**	**1,520,847**
Loans and receivables customers	-538	5,498,507	2,996,741	2,354,400	1,177,945
Companies measured at equity	0	45,514	6,971	4,577	5,742
Amounts owed to customers	1,045,308	5,746,913	3,095,084	1,849,209	1,376,455
Debts evidenced by certificates, including subordinated liabilities	2,028,110	94,474	1,701	1,755	6,789
1-12/2021					
Net interest income	14,976	92,437	59,296	43,011	23,918
Risk provision	-1,602	18,166	11,144	13,623	2,893
Net fee and comission income	-5,095	63,655	34,460	25,880	15,383
Net trading income	1,781	164	458	214	116
Result from financial instruments and investment properties	9,528	5,901	324	1,170	-884
Other operating result	164,748	6,212	-924	-1,960	-343
General administrative expenses	-131,740	-138,456	-78,897	-58,699	-36,289
Result from companies measured at equity	0	-1,230	-54	0	0
Annual result before taxes	**52,596**	**46,849**	**25,806**	**23,240**	**4,793**
Income taxes	1,324	-5,093	-6,034	-2,868	-1,007
Annual result after taxes	**53,920**	**41,756**	**19,773**	**20,372**	**3,786**
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
40,144	56,522	56,230	27,592	15,559	-26	467,573
-5,218	-8,736	1,770	-4,028	-757	0	-31,302
28,176	31,918	35,104	17,993	8,500	-1,022	255,405
273	-5	133	1,153	99	0	4,013
-785	-734	3,155	-2,893	51	-1,642	-14,971
-6,252	-2,122	-11,636	-4,476	-3,718	-160,619	-64,212.00
-53,527	-57,946	-62,341	-37,273	-19,986	162,236	-499,563
0	0	0	0	0	0	-587
2,810	**18,898**	**22,415**	**-1,931**	**-251**	**-1,072**	**116,356**
-1,417	-5,186	-6,424	72	650	-137	-1,485
1,392	**13,712**	**15,991**	**-1,858**	**399**	**-1,209**	**114,871**
2,599,482	**3,075,093**	**3,501,230**	**1,993,108**	**1,059,246**	**-6,518,353**	**29,224,176**
2,118,476	2,458,058	2,950,157	1,730,487	843,795	-12,041	22,115,988
15,963	10,340	43	20	5,063	0	94,234
2,100,144	2,419,380	2,431,889	1,089,536	978,829	-27,649	22,105,097
803	14,720	7,223	22,982	0	-42,966	2,135,591
36,706	50,325	48,619	24,315	12,291	-32	405,863
9,968	6,975	12,933	11,008	4,342	0	89,449
27,215	29,557	36,207	18,587	8,462	-945	253,366
201	-4	-28	595	74	0	3,571
-190	747	1,451	722	100	-1,395	17,473
1,954	567	-152	141	-389	-172,063	-2,208
-59,221	-61,499	-63,772	-38,579	-21,073	172,945	-515,279
0	0	0	0	0	0	-1,284
16,632	**26,668**	**35,258**	**16,791**	**3,807**	**-1,490**	**250,950**
-1,818	-8,774	-4,662	-2,307	-607	36	-31,810
14,814	**17,894**	**30,596**	**14,484**	**3,200**	**-1,454**	**219,140**
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

50) Risk report

General

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

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

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

Current developments

The consolidated own funds in accordance with the CRR are composed of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and supplementary capital (Tier 2, T2).

In addition, the capital buffers provided for in the Austrian Banking Act and the Capital Buffer Regulation (CB-R) (capital conservation buffer (CCB), systemic risk buffer (SRB), capital buffer for systemically important institutions (O-SIIB), and countercyclical buffer (CCyB)) must be complied with and fully met with Common Equity Tier 1 capital (CET1). As at 31 December 2022, this results in a combined buffer requirement (CBR) for the Association of Volksbanks of 3.50 % (capital conservation buffer of 2.50 %, systemic risk buffer of 0.50 %, buffer for systemically important institutions of 0.50 %, countercyclical buffer (CCyB) of 0.00 %). The capital buffers must be met in full with CET1 capital and, with the exception of the countercyclical buffer, they relate to total risk.
The Association of Volksbanks was again subjected to the annual SREP (Supervisory Review and Evaluation Process) within the scope of the Single Supervisory Mechanism (SSM) of the ECB. This resulted in a Pillar 2 Requirement (P2R) of 2.50 % at the consolidated level as at 31 December 2022.

Moreover, the result of the Supervisory Review and Evaluation Process (SREP) also took account of the SSM stress test of the ECB that was carried out in 2021, with a Pillar 2 Guidance (P2G) of 1.25 %.

The CET1 demand has increased by 0.25 percentage points compared with the previous year (P2G increase from 1.00 % to 1.25 %).The supervisory authority used a new methodology based on the EBA/ECB stress test results to derive the Pillar 2 Guidance (P2G). The Pillar 2 Guidance must be met entirely with Common Equity Tier 1 (CET1) and has no impact on the maximum distributable amount (MDA).
Based on the SREP decision of February 2022 and taking into account the changed composition of the additional own funds requirement (P2R) under CRD V, the capital requirements and capital recommendations for the Association of Volksbanks as at 31 December 2022 are as shown in the table.

Any shortfall in AT1/Tier 2 will increase the CET1 requirement accordingly.

Minimum capital requirements and capital buffers

Pillar 1	**31 Dec 2022**	**31 Dec 2021**
CET1 minimum requirement	4.50 %	4.50 %
Tier1 minimum requirement	6.00 %	6.00 %
Total minimum requirement for own funds	8.00 %	8.00 %
Combined buffer requirement (CBR)	**3.50 %**	**3.50 %**
Capital conservation buffer (CCB)	2.50 %	2.50 %
Systemic risk buffer (SRB)	0.50 %	0.50 %
Buffer for other systemically important institutions (O-SIIB)	0.50 %	0.50 %
Countercyclical capital buffer (CCyB)	0.00 %	0.00 %
Pillar 2	**2.50 %**	**2.50 %**
CET1 minimum requirement	1.41 %	1.41 %
Tier1 minimum requirement	1.88 %	1.88 %
Total minimum requirement for own funds	2.50 %	2.50 %
Total CET1 requirement	**9.41 %**	**9.41 %**
Total Tier1 requirement	**11.38 %**	**11.38 %**
Total capital requirement	**14.00 %**	**14.00 %**
Pillar 2 Guidance	**1.25 %**	**1.00 %**
CET1 minimum guidance	10.66 %	10.41 %
Tier1 minimum guidance	12.63 %	12.38 %
Total own funds guidance	15.25 %	15.00 %

During the 2022 financial year, the Association of Volksbanks complied with the minimum capital requirements and/or capital recommendations resulting from the SREP.

The result of the 2022 Supervisory Review and Evaluation Process (SREP) was forwarded to VBW as the central organisation of the Association of Volksbanks in the official SREP decision from December 2022. The SREP requirement and SREP guidance (P2R and P2G) valid from 1 January 2023 remain unchanged compared to the reporting year. Upon the Capital Buffer Regulation entering into force, the buffer for systemically important institutions (O-SIIB) at the consolidated level will increase from 0.50 % to 0.75 % in 2023 and to 0.90 % in 2024.

Risk policy principles

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

Organisation of risk management

The Association of Volksbanks has taken all required organisational measures to meet the requirements of a modern risk management. There is a clear separation between front and back office. A central, independent risk control function has been established. At Managing Board level, the Chief Risk Officer (CRO) is the head of Risk Control. Within the Managing Board responsibilities of the CRO, there is a separation between risk control and operational credit risk management. Risk assessment, risk measurement and risk control are carried out according to the dual-control principle. For the purpose of avoiding conflicts of interest, these tasks are performed by different organisational units.

The business model requires risks to be identified, assessed, measured, aggregated and controlled effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions. As a prerequisite and basis of solid risk management, the Risk Appetite Framework (RAF) for the Association of Volksbanks is permanently enhanced in order to define the risk appetite and the level of risk tolerance that the Association of Volksbanks is prepared to accept to achieve its defined goals. The level of risk tolerance manifests itself in the definition and monitoring of appropriate limits and controls. The framework is verified and developed with respect to regulatory requirements, changes of the market environment or the business model on a current basis. The Association of Volksbanks aims to develop, by way of this framework, a disciplined and constructive control environment where all employees understand and live up to their role and responsibility.

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

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

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

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

Regulatory requirements

The regulations regarding regulatory requirements at Association of Volksbanks are implemented as follows:

Pillar 1: Minimum own funds requirements

Within the scope of Pillar 1, the fulfilment of the minimum regulatory requirements is ensured. For credit risk, market risk and operational risk, the respective regulatory standard approaches for determining the minimum own funds requirements are applied.

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

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

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure rules pursuant to Regulation (EU) no. 575 / 2013 (CRR) and Directive 2013/36/EU (CRD IV), as well as the applicable Regulation (EU) no. 2019/876

(CRR II) and Directive no. 2019/878 (CRD V) on the bank's own website under Volksbanken-Verbund / Verbund-Offenlegung (Association of Volksbanks/Disclosure).

Risk management across the Association

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

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

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

a) Internal Capital Adequacy Assessment Process

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

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

Risk inventory

The risk inventory aims to define the materiality of existing and newly assumed banking risks. The findings from the risk inventory process are collected, analysed for the Association of Volksbanks and summarised in a risk inventory. The results of the risk inventory process are used to inform the risk strategy and form a starting point for the risk-bearing capacity calculation, as material risks are taken into account within the risk-bearing capacity calculation.

ESG risks are also analysed and assessed annually as part of the risk inventory using ESG heat maps. The ESG heat map is a tool to identify, analyse and assess the materiality of ESG risks and/or their risk drivers. In the ESG heat map, various risk events are described and evaluated for all relevant risk types of the Association of Volksbanks. The findings are then mapped in the risk inventory within the framework of existing risk types.

Risk strategy

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

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

The local or individual risk strategies of the affiliated banks of the Association of Volksbanks essentially build on the risk strategy of the Association, defining regional specifications and local specifics. The preparation of the local risk strategies of the affiliated banks is supported and checked for conformity with the risk strategy of the Association by the CO, who also provides quality assurance in this respect. The Association's risk strategy manual, which is valid throughout the Association of Volksbanks and includes the local risk strategy, is adopted by each affiliated bank.

Risk Appetite Statement (RAS) and limit system

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

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

- Capital ratios (e.g. CET1 ratio, T1 ratio, TC ratio, RTF, MREL)
- Credit risk ratios (e.g. NPL ratio, coverage ratio, foreign customer exposure, net allocation for risk provisions, forbearance ratio, sector concentrations)

- Market/liquidity risk ratios (e.g. LCR, NSFR, survival period, asset encumbrance ratio, EBA interest rate risk coefficient, balance sheet structure limit, fixed interest position)
- Ratios relating to operational risk (e.g. OpRisk losses in proportion to CET1, ICS implementation rate)
- Other risk-relevant ratios (e.g. CIR, leverage ratio, compliance risk, IT system availability)

Risk-bearing capacity calculation

The risk-bearing capacity calculation forms the basis of the quantitative implementation of the ICAAP. It is used to provide evidence of the fact that the risks assumed are sufficiently covered by adequate internal capital at all times and to ensure such cover also in future. For this purpose, all relevant individual risks are aggregated. This aggregate risk is then compared to the existing and previously defined internal capital. Compliance with the limits is monitored and reported quarterly.

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

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

The **regulatory Pillar 1 perspective** contrasts the aggregate risk amount calculated in accordance with statutory requirements with regulatory own funds. Ensuring regulatory risk-bearing capacity is provided for under the law and constitutes a minimum requirement. The composition of the regulatory aggregate risk position of the Association of Volksbanks corresponds to that of any regionally active retail bank.

The **economic perspective** contributes to ensuring the continued existence of the Association of Volksbanks by foregrounding the economic value within the assessment of the capital adequacy. The risk-bearing capacity under the economic perspective derives from a comparison of economic risks with internal capital (risk covering potentials). Economic risks are risks that may impair the economic value of the institution, and accordingly may impair the capital adequacy under an economic perspective. For the quantification of the aggregate risk position, internal procedures, that is largely Value at Risk (VaR), with a confidence level of 99.9 % and a time horizon of one year are applied. In doing so, all quantifiable risks that were identified as material within the scope of risk inventory process are taken into account. Hidden reserves, the annual result achieved in the current business year, as well as own funds available for loss absorption upon continuation of the business activities are recognised as risk covering potentials. The aggregate bank risk limit is set at 95 % of available internal capital. A prerequisite for the capital adequacy under an economic perspective is for internal capital to be sufficient to cover the risks and to support the strategy on an ongoing basis.

The **normative perspective** ensures that the Association of Volksbanks is able, throughout a period of several years, to meet its own funds requirement and to cope with other external financial constraints. It represents the risk-bearing capacity on the basis of strategic planning under normal and adverse conditions, essentially comprising a simulation of the profit and loss account and own funds positions over three years. In the process, the strategic planning as well as various crisis scenarios are simulated and the development of regulatory own funds ratios calculated taking into account the effects of the relevant scenario. Therefore, the key parameters of the normative perspective are the regulatory own funds ratios CET1, tier 1 and total capital.

Stress testing

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

Apart from these specific stress tests and sensitivity analyses, internal stress tests are regularly carried out across all risk types. The semi-annual internal stress test consists of scenario analyses, sensitivity analyses and the reverse stress test. In the scenario analyses, economic crisis scenarios are defined and changed risk parameters for the individual risk categories and business areas derived therefrom. Apart from the effects on the risk positions, the effects of the crisis scenarios on regulatory own funds and the internal capital under the economic perspective are determined. At this point, the requirements of the normative perspective overlap with the requirements regarding scenario analyses for the internal stress test: the development of regulatory own funds ratios is simulated for various crisis scenarios over a period of several years. Based on the findings of the internal stress tests, recommended actions are defined, if necessary, and transposed into measures.

Scenarios with ESG aspects (especially with regard to climate and environmental risks) are calculated as part of the internal stress test in order to identify and assess the ESG risks inherent in the existing portfolio as early as possible. The scenarios are based on the assumptions of the Network for Greening the Financial System (NGFS) and are continuously extended to include the latest findings.

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

Risk reporting

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

The monthly – for the risk-bearing capacity calculation and capital ratios: quarterly – aggregate bank risk report serves as a core element of the reporting framework. The aggregate bank risk report provides a summary of the situation and development of the RAS indicators, the utilisation of the risk-bearing capacity, addressing all significant risks and containing comprehensive qualitative and quantitative information. The aggregate bank risk report provides the Managing Board with management-related information on a monthly basis and is provided to the Supervisory Board of VBW quarterly. Complementing the aggregate bank risk report, various risk-specific reports (e.g. analyses within credit risk regarding the development of individual sub-portfolios) are provided in addition to the reporting framework.

Recovery and resolution planning

As the Association of Volksbanks was classified as a significant institution in Austria, the Association must prepare a recovery & resolution plan and submit the same to the European Central Bank. The GRP is updated at least once a year and takes into account changes in business activities as well as changes in regulatory requirements.

b) Credit Risk

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

Credit risk management organisation

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

Operational credit risk management

Lending principles

- Loan transactions are necessarily based on decisions involving borrower-specific limits. The determination and monitoring of certain limits is subject to uniform regulations at the level of the Association.
- The rating obligation applies to all borrowers with exposures above the defined minimum amount. The rating process is based on the dual-control principle and is applicable across the Association.
- Loan commitments take account of the economic performance of borrowers, of financing requirements and investment volumes. The borrower’s repayment ability is a prerequisite for granting a loan. Financing requirements and investment volume are reconciled in advance. Loan maturities must not exceed the useful lives of the assets financed. Attention is paid to the inclusion of reasonable own funds.
- Loan transactions with private customers are subject to the regulations and information requirements of the Austrian Consumer Credit Act (VKrG) and those of the Austrian Mortgage and Real Estate Credit Act (HIKrG), which apply independently of each other.
- The provisions pursuant to the Credit Institutions Real Estate Financing Measures Ordinance (KIM-VO) of the Austrian Financial Market Authority (FMA) for newly agreed private real estate financing are complied with and have been monitored separately since their entry into force.
- The topic of sustainability/ESG factors as well as potential climate-related transitory and physical risks are considered in the lending process.
- In selecting collaterals, attention is paid to the cost-benefit ratio, and therefore recoverable collaterals that cause little administrative effort and are not very cost-intensive will preferably be resorted to, as well as actually realisable collaterals. For this reason, physical collaterals, such as real estate collaterals, and financial collaterals, such as cash collaterals or collaterals in the form of securities, are given priority. The recoverability and enforceability of collaterals must basically be assessed prior to any credit decision. Principles for the management of collaterals and uniform rules for the selection, provision, administration and valuation of collaterals apply at the level of the Association.
- Foreign currency and repayment vehicle loans are basically no longer offered or granted.
- The principal market for lending business is the Austrian market.
- Syndicated loans will basically be concluded together with the CO.

Decision-making process

In all units of the Association of Volksbanks that generate credit risk, there is a strict separation of sales and risk management units. All decisions in individual cases are made in strict compliance with the 4-eyes principle, whereby clear procedures have been defined for cooperation between the risk management units in the ZO and the members of the Association of Volksbanks. In the case of large-volume transactions processes have been established to ensure the involvement of the operative CO credit risk management and the CO Board of Directors in the risk analysis and credit decision-making process. Limit systems play an important role in this process, which the decision-making competencies of the individual units are set out in a framework.

Monitoring of exposures and collaterals

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

Limits

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

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

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

In addition, materiality limits are defined for industry sectors at the level of the Association and of the affiliated banks, and further control measures are applied if these limits are exceeded. Relatively speaking, higher risk concentrations in affiliated banks are not only permitted but also desired in the sense of leveraging industry expertise (e.g. in the case of Ärzte- und Apothekerbank in the health care sector) and regional focuses (e.g. tourism in VB Tirol).

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

Intensified credit risk management

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

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

<u>Dunning procedure:</u> The dunning procedure applied across the entire Association of Volksbanks is uniform and automatised and based on corresponding predefined processes.

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

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

Problem Loan Management

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

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

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

Monitoring of industry sectors

In order to enable even more detailed and, above all, more sector-specific management of the Association of Volksbanks' portfolio over and above the measures and limits already in place, a process was set up in 2022 based on the results of the regular sector analyses to identify sectors with a higher risk level, distinguishing between a regular, half-yearly process and an ad hoc process. The results from this analytical process are then transferred to the EWS, thus allowing for sector-specific early warning.

In the course of the regular process as at 30 June 2022, special requirements were defined for new financing transactions in the sectors most affected by a reduction of gas imports, and a risk-based review of individual customers was initiated.

Quantitative credit risk management and credit risk control

Measurement and control of credit risk

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

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

Rating systems

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

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

Credit Value at Risk

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

Concentrations

Quantification and valuation of the effects of concentrations takes place monthly, via the risk parameters identified, on the one hand, and in the course of preparing the risk report, on the other hand.

Counterparty default risk

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

Credit risk mitigation

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

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

Factors influencing the estimate of Expected Credit Losses (ECL) and impairments

Data at the level of the Association are essential for developing the models for determining the ECL and for regular recalibration of the risk parameters. This includes, for instance, default time series or portfolio compositions. External data, such as macroeconomic forecasts of the ECB, equally apply to the entire Association. Consequently, uniform methods are generally used for all aspects of determining impairments in all banks of the Association. Methods or procedures specific to any particular bank within the Association may be applied in exceptional cases only and are subject to strict governance within the Association.

Various influencing factors, assumptions and methods are used to measure any significant increase of credit risk.

Rating systems

Upon initial recognition, each exposure is allocated to a credit risk rating based on the information available about the borrower. The exposures are monitored continuously, and the risk management guidelines of the bank require credit risk renewal at least once a year. The established governance processes, including RAS limits (Risk Appetite Statement), ensure that valid credit assessments exist for more than 98 % of exposures.

The bank disposes of a comprehensive set of rating systems to cover all relevant types of receivables. The most important elements of the rating systems for the major portfolios are shown in the following table:

Portfolio	Main influencing factors of the rating systems
SME and Corporate	• Information that was obtained during the regular review of annual financial statements and management accounts (economic circumstances of the owners) of the borrower • Actual and expected material changes of the regulatory, technological or economic environment of the borrower • Qualitative assessment of borrower management, the transparency of information provided by the borrower, the adequacy of the borrower's accounting processes and other soft facts • New and/or expected changes of the financial situation of the borrower not reflected in the most recent financial statements • Internally obtained information about the borrower's conduct, e.g. overdrawing of advances on current account and utilisation of credit facilities • To the extent available, ratings of the borrower or of the borrower's parent company by external rating agencies
Private Customers	• Credit standing indicators as well as sociodemographic assessment of the request • Information obtained from credit agencies • For new lending business with existing customers and for current monitoring – internally collected data regarding the customers' account conduct, e.g. delays in payment and changes with respect to incoming or outgoing payments
Banks	• Information that was obtained during the regular review of annual financial statements, disclosures and reports of the borrower • Qualitative assessment of market position, asset quality and concentration risk of the counterparty's portfolio • Implicit support or explicit guarantees from states, governments or parent companies

All rating systems are regularly validated according to qualitative and quantitative criteria by an independent unit within Risk Control, including backtesting for actual rating migrations and defaults.

All rating systems apply the Volksbank master scale that consists of 20 rating level (1A to 4E) plus 5 additional levels (5A to 5E) for defaulted customers. To any rating class, the master scale will allocate intervals of probabilities of default (PD) that do not overlap. The PDs of the rating system are modelled as long-term through-the-cycle (TTC) probabilities of default over a period of 12 months. Ratings by external rating agencies are also reproduced on the VB master scale by way of statistical analyses of the historical default rates published by the rating agencies.

VB Master scale

Short description	Rating class	Mean PD	Rating notch	External ratings Moody's	External ratings S & P's
Best creditworthiness		0.01 %	1A	Aaa,Aa1	AAA,AA+
Best creditworthiness		0.02 %	1B	Aa2	AA
Best creditworthiness	K1	0.03 %	1C	Aa3	AA-
Best creditworthiness		0.04 %	1D		
Best creditworthiness		0.05 %	1E	A1	A+
Excellent creditworthiness		0.07 %	2A	A2,A3	A,A-
Excellent creditworthiness		0.11 %	2B	Baa1	BBB+
Very good creditworthiness	K2	0.16 %	2C		BBB
Very good creditworthiness		0.24 %	2D	Baa2	
Very good creditworthiness		0.35 %	2E	Baa3	BBB-
Good creditworthiness		0.53 %	3A	Ba1	BB+
Good creditworthiness		0.80 %	3B	Ba2	BB
Good to medium creditworthiness	K3	1.20 %	3C	Ba3	BB-
Medium creditworthiness		1.79 %	3D	B1	
Acceptable creditworthiness		2.69 %	3E	B2	B+
Poor creditworthiness		4.04 %	4A	B3	B
Poor creditworthiness		6.05 %	4B		B-
Watch list	K4	9.08 %	4C		
Watch list		13.62 %	4D		
Watch list		20.44 %	4E	Caa-C	CCC/C
Default of payment: 90 d. / 30 d. (forb.)		D	5A		
Specific provisions		D	5B		
Restructuring / call in	K5	D	5C		
Insolvency		D	5D		
Write-off		D	5E		

Lifetime Probability of Default

Ratings provide essential input for determining the lifetime PD for ECL calculation. At each balance sheet date, the bank assesses whether the default risk for any financial instrument has increased significantly since first-time recognition. To identify any significant increases of default risk, companies may bundle financial instruments in groups based on common default risk characteristics and hence may perform an analysis aimed at identifying any significant increases in default risk promptly. For the purpose of analysing lifetime PD, the portfolio of Volksbank is divided into the following segments:

- SME and Corporates, incl. special financing
- Private Customers
- Banks
- Countries as well as international organisations assessed by external rating agencies
- Other Exposures (mainly real estate and public infrastructure projects that are not dealt with using the usual rating systems for SME or Corporate)

For the segments Private Customers, as well as SME and Corporates including special fincing, the bank extracts long-term, representative samples of internal ratings and defaults that cover all material subsegments and rating classes. Statistical models are used to analyse the data collected and to prepare estimates regarding residual term PD and the way these are expected to change over the course of time.

For the segments Banks and Countries, the bank uses long-term default studies of the external rating agencies to determine the lifetime PD by rating class. For other exposures, the balance sheet data of Austrian municipalities are used, a default approximation is defined on the basis of a business analysis, and lifetime PD is estimated.

Forward-looking information

The bank takes account of future-oriented information, both in assessing whether the credit risk of any instrument has increased significantly since its initial recognition, and in measuring ECL. The forward-looking information includes both macroeconomic projections and existing information at individual customer level. Information at the individual customer level, such as new and/or expected changes in the borrower's financial situation that are not reflected in the most recent financial statements, are recorded and evaluated as part of the rating process.

The ECB's macroeconomic projections are used as an anchor for determining the real economic scenarios. Based on the analysis carried out by economists of the bank's research department and taking into account additional market data, two or more scenarios are defined. In any case, a base case scenario for the future development of the relevant economic variables is defined. The base case scenario represents the most likely outcome and is broadly consistent with the ECB's Baseline scenario. The scenario is also reconciled with information used by the bank for other purposes, such as strategic planning and budgeting. Moreover, further possible projected scenarios are defined showing a result of relevant economic variables that deviates from the base case. The number and design of the other scenarios are based on the ECB's specifications. The prognostic process comprises both the forecast of the development of the relevant economic variables over the course of the next three years and the estimate of probability for each scenario. The bank performs regular (semi-annual) stress tests with shocks to quantify the effects of seriously deteriorated economic conditions and to analyse the necessity of re-calibration of the base case scenario and/or of the other prognostic scenarios.

Consideration of forward-looking information

The bank performs a thorough analysis in order to identify and calibrate the relationships between changing default rates and changes of the most important macroeconomic factors.

For Private Customers and for Corporate Customers (SME and Corporates incl. special financing), the analysis is based on a time series of average default rates estimated on the basis of the internally available data set. For portfolios with only few defaults (banks, sovereign states, municipalities), the downgrade and default time series of the external rating agencies and/or the balance sheet data of the municipalities are used. Based on historical time series, the most selective macroeconomic variables are determined using statistical methods. In the process, multivariate regression analyses are performed for each portfolio. Adverse macroeconomic scenarios are mapped using a second set of regression coefficients specifically calibrated to negative observations. Explanatory variables are, among others, total GDP growth and the change in the unemployment rate in Austria and the euro zone, as well as market-based indicators (credit spreads, especially spreads between the 10-year Austrian and German government bonds, and stock indices that are representative of the euro zone).

Definition of stage transfer and default

If a significant increase in credit risk is observed after first-time recognition, the financial instrument is transferred to Stage 2.

Any financial asset is considered defaulted (Stage 3), if:

- it is unlikely that the borrower is going to meet its loan obligations in full without recourse to certain measures, such as the realisation of collateral (if available); or
- if the borrower has been in default with respect to any material loan obligation for more than 90 days.

The definition of default is fully in line with the default definition of the bank for own fund requirements (CRR). Any default may be deferred and transferred back to Stage 1 or Stage 2 six months after commencement of the period of good conduct at the earliest, provided that good conduct is shown within said period of six months, and the other prerequisites set down in CRR and the internal guidelines are met.

The Association of Volksbanks applies an unlikeliness-to-pay (UTP) valuation process that is supported by a comprehensive early warning system (EWS). The EWS uses various qualitative and quantitative indicators to identify potential significant increases in credit risk, including (but not limited to) rating downgrades, negative observations regarding account conduct or deteriorations of certain financial ratios of the borrower.

If the redemption of an exposure is considered unlikely, it will be allocated to Stage 3 for impairment purposes. Borrowers with any less substantial, but still significant increase in credit risk (customers under intensive supervision) will be rated as Stage 2 for impairment purposes.

The further qualitative indicators for allocation to Stage 2 are:

- Borrowers with payments overdue for more than 30 days for material exposures.
- Forbearance measures as qualitative indicator for a significant increase in credit risk.
- All financial instruments where the bank is not able to assess the credit risk upon initial recognition or the credit risk at the balance sheet date.

The bank calibrates a bidirectional illustration of the changes of lifetime credit losses and the rating migration from initial recognition until the current date, taking into account the respective current forward-looking information. Hence, the quantitative stage transfers are derived from significant downgrades of the customer's current rating compared to the credit risk upon initial recognition. Based on the VB master scale with 20 (performing) rating levels, the number of rating class downgrades leading to Stage 2 is 1 to 5, depending on the original maturity and residual term of the respective financial instrument, on the initial rating, on the customer segment and on the current forward-looking information. Financial assets with a rating in the investment grade range at the measurement date – to a rating leval of 2E or better, based on the VB master scale – are classified as level 1 ("Low Credit Risk Exemption", IFRS 9.5.5.10).

The transfer from Stage 2 to Stage 1 takes place immediately on the measurement date after the qualitative and quantitative Stage 2 criteria lapsing (without consideration of any periods of good conduct).

Measurement of Expected Credit Loss (ECL)

The bank determines ECL on the basis of the individual instrument, regardless of the materiality of the exposure. Collective parameters and assumptions are used if applicable.

The impairment model generally determines the risk provision in the amount of expected credit losses:

- over a period of 12 months for financial instruments in Stage 1 (including financial instruments with a low default risk ("Low Credit Risk Exemption"),
- over the residual term for financial instruments in Stage 2 or Stage 3.

Performing portfolio

For the performing portfolio (Stage 1 and Stage 2), measurement is based on model parameters derived from internally developed statistical models and other historical data.

The most important model parameters for ECL measurement are:

- Probability of Default (PD);
- Exposure at Default (EAD), subdivided into secured EAD and unsecured EAD; and
- Loss Given Default (LGD).

The PD parameters depend on the current rating and on the segment of the borrower and are reconciled with forward-looking information as described above.

The EAD parameter is measured as the projected future exposure of the relevant financial instrument. The projection is based on the cash flow plan of the instrument. For ECL calculation, the bank uses the cash flow plan from the Asset Liability Management (ALM) system. It is used to reconcile the ECL calculation and the strategic interest rate and liquidity risk management with each other. The cash flow plan is based on the contractual terms of the financial instrument, including amortisation, and is adjusted in line with the comprehensive ALM models of the bank, including (but not limited to) interest rate forecasts for floating rate instruments. For off-balance-sheet financial instruments, such as credit facilities or guarantees, the bank uses Credit Conversion Factors (CCF) to determine the amount of the exposure in case of default (off-balance EAD). The CCF parameters are estimated using the account conduct information of previously defaulted customers over a period of 12 months prior to default. The bank uses the regulatory CCF benchmarks laid down in the CRR for product types where only limited internal standard data is available.

The EAD is subdivided into secured EAD and unsecured EAD, that depend on the value of the collaterals pledged by the borrower. The starting point for secured EAD calculations are the lending values of the collaterals. These lending values are regularly verified and updated in line with the bank's risk management guidelines (e.g. real estate valuations are re-estimated at least once within 3 years and immediately after the occurrence of any material event within the customer relationship, such as credit loss, extension of credit facility or roll-over). The secured EAD is that part of the EAD that is covered by collaterals (limited to 100 % of the EAD). The unsecured EAD is considered as the rest of the EAD.

The LGD is the amount of probable loss upon default. The secured LGD and unsecured LGD parameters are determined separately. The secured LGD parameter reflects the residual risk that derives from the probability that a certain collateral cannot be liquidated at a sustainable price at the time of default. The unsecured LGD parameter reflects any defaulted borrower's readiness and ability to pay back the obligations beyond the lending value of available collaterals. Both LGD parameters combined measure the realisation risk, including the cost of liquidating collaterals, as well as the time value of money (based on the effective interest rate of the defaulted assets).

For the main customer groups (Private Customers, Corporates incl. special financing), the bank determines the LGD parameters on the basis of the history of the rates of recovery of claims against defaulted customers.The historical data includes both the main operational risk event data (date of default, date of conclusion, event status, etc.) and the individual postings made (redemptions, realisations, write-offs). Statistical procedures are used to counter any possible bias in the historical data. The analysis of historical data takes into account, in particular, the default rating category, the treatment category (supervision, restructuring...), and the amount of collateral.

For certain portfolios, where the bank does not dispose of any (sufficient) historical default event data, an expert estimate will be conducted. The estimate is based on:

- Regulatory benchmarks as defined in the CRR
- Business scenario analyses
- External and internal research and documentation

Expected losses for financial instruments of Stage 1 are projected over the shorter of a period of 12 months or the maturity of the instrument. For Stage 2 financial instruments, the expected losses are projection for the entire term of the instrument. The maturity equals the contractual term. In case of financial instruments such as loan commitments and guarantees, the contractual maturity is determined based on the first day when the bank is entitled to request redemption or to terminate any loan commitment or guarantee. In cases where the contractual term could not be determined (e.g. if the borrower has an unlimited option for extension), the total maturity of the instrument is determined to be 20 years.

The ECL is calculated as the present value of the projected expected losses. Discounting is conducted using the effective interest rate of the instrument.

Defaulted exposures

In case of defaulted customers (Stage 3), measurement depends on the significance of the exposure.

For defaulted customers with a total exposure of more than euro 750 thousand and for a limited number of special cases, the ECL estimate will be performed without applying statistical model parameters. Instead, the bank will estimate the cash flows primarily on the basis of the individual instruments in two scenarios:

- Going concern: After restructuring and forbearance measures, the borrower is able to meet the obligations.
- Gone concern: The borrower is not able to cover the obligations, and the bank liquidates the collateral.

The recovery cash flows and the probabilities of both scenarios will be estimated at the level of the individual instrument, taking into account documented benchmarks and guidelines.

The ECL is calculated as the difference between the carrying amount of the financial instruments and the probability-weighted average present value of the return flows in both scenarios. Discounting is conducted using the effective interest rate of the instrument.

For defaulted borrowers not treated specially as described above, the statistical model approach is applied. The ECL is determined by multiplying the carrying amount of the financial instrument with LGD. The LGD parameter is estimated using the same historical random sample data that are used for LGDs in the performing portfolio. The type of collateral (residential real estate, commercial real estate, insurance policies etc.) and the amount of the collateral, in particular, are taken into account by dividing the defaulted exposure into a secured and an unsecured component, and by applying the secured LGD and the unsecured LGD. LGD parameters are determined depending on the customer segment, default rating category and treatment category. The approach does not require any additional discounting, as the present value effect is incorporated in the LGD estimate.

Risk provisions in relation to COVID-19 and the Ukraine crisis

Impairment Stages 1 and 2 relation to the COVID-19

Default rates within the Association of Volksbanks and macroeconomic indicators decoupled in 2020 and 2021. Despite a marked decline in economic output, significantly reduced default rates were observed during this period. However, at the end of 2021, the serious consequences of the COVID-19 pandemic for the general economic environment and the high degree of uncertainty in connection with the lockdowns resulted in a continuing need for post-model adjustments when determining expected credit losses. In the 2021 annual financial statements, post-model adjustments in the amount of euro 24.0 million were recognised, primarily for customers in the industry sectors that were greatly affected by the pandemic. The development of default rates in these sectors during 2022 remained highly positive. The concerns about cliff or catch-up effects have not materialised. Within the Association, after a marked increase in the EWS/PLM portfolio following the COVID-19-related forbearance flags and/or rating downgrades in 2020 and 2021, a reduction was observed again in 2022, which was due, among others, to the expiry of forbearance flags from 2020. Most of the facilities granted to borrowers within the Association since March 2020 were already terminated as at 31 December 2022. Currently still active bridging loans have longer maturities due to the terms of the federal guarantees.

Within the scope of the annual rating updates of customers in the relevant sectors, it was checked in particular whether the available business records possibly indicate any excessive government subsidies. For the customers concerned, manual corrections (rating downgrades) were performed to avoid distorting the results.

In the 2022 annual financial statements, no post-model adjustments relating to the COVID-19 crisis were made.

Impairment Stages 1 and 2 in relation to inflation and the Ukraine crisis

Corporate customers

The Association of Volksbanks has no material exposures that are directly affected by the war between Russia and Ukraine. Indirect effects on the business results and the credit rating of our customers are primarily due to the marked increase in energy and commodity prices, supply chain issues and the increase of inflation. However, the expected effect of inflation at portfolio level cannot be clearly determined. Many corporate customers manage to pass on the cost increases to their final customers, in full or in part, and to increase gross profits. For instance, within the scope of analysing the correlations between default rates of corporate customers and macroeconomic variables, a negative correlation of portfolio default rates with the oil price was found (i.e. over the period of review from 2008, an increasing oil price correlates with decreasing default rates). This statistically determined correlation was excluded from the model for qualitative reasons and in view of the length of the default time series. Nevertheless, it provides evidence of the fact that higher energy and production costs are not necessarily associated with increasing default rates across the total portfolio but may even have an opposite effect. In order to adequately represent the current developments, a granular approach was chosen at the level of individual borrowers.

The Association of Volksbanks uses credit reviews and internal rating systems to identify borrowers whose credit rating was substantially impaired by the current geopolitical distortions caused by the war between Russia and Ukraine. Based on central recommendations regarding loan applications and credit reviews, the effects on energy costs, supply chain issues, as well as the effects on construction costs were considered for commercial customers and taken into account during risk assessment. A special focus was put on the manufacturing and construction sectors, on real estate developers and producers of agricultural products, including the following items to be checked in the course of the applications or reviews:

- Energy costs: A marked increase in energy prices may change the cost structure of the bank's customers. It was documented in the statement on the respective loan application or credit review whether, after a doubling of energy costs, this increase is still affordable or will cause a loss.
- Supply chain issues: The availability of commodities/materials, the price at which they can be procured, as well as the possibility of passing on the increased production costs to the customer were analysed. It was documented in the statement on the respective loan application or credit review whether any slump in sales/gross profit is still affordable or will cause a loss.
- Effect of construction cost increase: The aggravated financing conditions and/or the increased own funds requirement, the possibility of passing on increased production costs to the buyer/consumer, as well as the decreasing size or the postponement of construction contracts and real estate projects were analysed. It was doc-

umented in the statement whether the above-mentioned parameters will cause a profit reduction or a loss in relation to any funded project.

If a relevant risk was identified in the process that may cause a loss within the scope of the assessment of the customer's business, the warning "Negative business trend" was added to the rating. This caused a rating downgrade to be generated and accordingly, higher risk provisions to be formed.

Private customers

Due to the high inflation rate, a decline of purchasing power is expected in the private customer portfolio. This is compounded by rising interest rates, causing credit instalments for loans with variable interest rates to increase as well. The business strategy of the Association of Volksbanks, with a focus on the financing of private housing and without the consumer credit portfolio, has a risk mitigating effect on expected default rates for the following reasons:

- Modified consumer behaviour: It is likely that customers will respond adequately to inflation and modify their consumer behaviour before instalments become overdue for housing financing.
- Good initial credit rating: Housing financing facilities are granted to customers with above-average net worth or income for the major part. Apart from the risks associated with increasing unemployment – which are mapped in the macro model or in the macroeconomic scenarios anyway –, it is to be expected that effects from increased inflation are only temporary and that these effects will be compensated over time by corresponding wage and salary adjustments.
- Fixed-interest loans: The share of fixed-interest loans, without any additional burden arising due to increasing interest rates, was increased systematically over the past years. For loans to private customers with a residual term of more than 20 years, the credit instalments of which are particularly sensitive to interest rate increases, this share exceeds 25 %.

Based on the analysis of historical default time series of private customers (from 2008), the unemployment rate and the GDP were chosen as explanatory macroeconomic variables. The development of interest and inflation rates turned out to be unsuitable. For instance, a negative correlation was found to exist between the portfolio default rates and the second derivation of the 10-year swap rate (i.e. over the historical period of review from 2008, a rapidly decreasing 10-year swap rate correlates with increasing default rates, and vice versa). This statistically determined correlation was excluded from the model for qualitative reasons and in view of the length of the default time series, and of the intrinsic dependency of interest rate development on the unemployment rate, which is part of the model anyway. Nevertheless, it provides evidence of the fact that increasing interest and inflation rates are not necessarily associated with increasing default rates across the total portfolio, at least for as long as there is no increase in unemployment.

Design of the macroeconomic scenarios

The design of the macroeconomic scenarios depends on the scenarios published by the ECB / OeNB at the end of June 2022.

In the Baseline scenario, a significant cooling of overall economic development is assumed. After very high GDP growth in Austria in the first 2 quarters of 2022, slightly positive growth (+0.3 %) is expected for the period from 06/2022 to 06/2023 (forecast year 1). Economic recovery following COVID-19 is slowing down. The unemployment rate remains stable, and the credit spreads (spreads between the 10-year Austrian and German government bonds) slowly decline to approx. 40 basis points until the end of the 3-year forecast horizon, starting from a historically very high level of approx. 60 basis points (the historical average value of credit spreads is around 26 basis points).

In the Adverse scenario, a suspension of energy supplies and significant supply bottlenecks in the industrial sectors, among others, over 4 quarters are assumed. In forecast year 1, a decline in GDP in Austria of around -7.6 % is assumed. According to the scenario, this marked recession is short-lived and will be followed by economic recovery in forecast years 2 and 3. The assumptions for forecast year 1 are of greater significance for the formation of risk provisions than the assumptions for forecast years 2 and 3. The expected losses for customer exposure in Stage 1 are determined taking account of the forward-looking scenarios over 1 year. Forecast year 1 plays an essential role in Stage 2 as well, since the model includes autoregressive components for years 2 and 3, thus upholding the marked recession in forecast year 1 throughout the entire forecast period with a view to estimating the probability of default. The effects from the projected development of the model's other variables add to this: both the unemployment rate and the credit spreads (spreads between the 10-year Austrian and German government bonds) increase. And the rise in credit spreads is material: from 60 to 80 basis points until the end of forecast year 1. Overall, the Adverse scenario is a stressed scenario, expressing the very high degree of uncertainties in the overall economy in connection with the war between Russia and Ukraine.

Weighting of the macroeconomic scenarios

In weighting the macroeconomic scenarios, the risk situation and the composition of the portfolio of the Association are taken into account in particular.

At the level of the total portfolio, default rates continued to be below average throughout 2022. For other risk indicators, such as the NPL ratio or the forbearance ratio, a neutral to slightly positive development was observed as well. Therefore, the current risk situation of the portfolio of the Association does not indicate any material aggravation under the Adverse scenario. In further consequence, the internal method for deriving the scenario weightings must be applied as a matter of principle.

This internal method starts out from an approach based on 3 scenarios: Baseline scenario, with a weighting of 60 %, as well as two scenarios deviating from the Baseline scenario (one optimistic, one pessimistic), with a weighting of 20 % each. However, the scenarios published by the ECB / OeNB in June 2022 do not include any optimistic view. It is accordingly assumed that the Baseline scenario integrates the optimistic view. Hence, an initial weighting for the internal method of 80 % Baseline and 20 % Adverse is defined. Following this, indicators specific to the Association are determined to define a specific weighting. The following Association-specific indicators are applied in this context:

- The development of gross value added in the individual sectors by comparison with the average development of economic performance in Austria, weighted using the respective exposures and probabilities of default. The fact that the industry mix of the Association portfolio does not coincide with the composition of Austria's overall economy is taken into account in this context. The analyses performed indicate that the expected gross value added in 2022 is below-average in some sectors that are of key importance to the Association. These include the gastronomy & tourism sector, as well as the construction sector, in particular. The most important sector for the Association (real estate, housing) is close to the Austrian average. Some sectors, such as information and communication technology, have shown above-average performance, but their share in the portfolio of the Association is not high.
- The rating migrations observed during the reference period of one year (June 2021 to June 2022). Rating downgrades (especially the significant downgrades at the lower rating levels) are interpreted as an indicator of an expected (negative) trend in terms of portfolio quality. In the course of the analyses, a well-balanced development of ratings throughout the reference period was observed.

The development of gross value added in individual sectors as well as the rating migrations observed in the portfolio are aggregated according to the defined method, thus shifting the initial weightings of the scenarios. Applying the internal method to determine the scenario weighting results in a weighting of 68 % for the Baseline scenario and of 32 % for the Adverse scenario. Since the Adverse scenario envisages a substantial GDP decline (suspension of energy supplies, severe recession), this scenario weighting would result in a one-time effect of around euro 20.5 million allocations to risk provisions in the performing portfolio.

Due to current operational risk events, the imminent danger of stagflation and the uncertainties prevailing in the overall economy, we have decided to choose an appropriate way of procedure and, instead of the 68 % Baseline and 32 % Adverse weighting, to opt for a weighting of 25 % Baseline and 75 % Adverse. The one-time effect from this adjustment of the scenario weighting thus amounts to around euro 46.5 million allocations to risk provisions in the performing portfolio or a combined amount (scenario design and scenario weighting) of euro 67.0 million.

In determining the weighting of 25 % Baseline and 75 % Adverse, several variants were investigated and compared to historical values. Based on the selected weighting of 25 % Baseline and 75 % Adverse, the amount of risk provisions under IFRS 9 for the performing portfolio exceeds the 1-year expected losses according to the ICAAP/CRR definition (determined using the through-the-cycle probabilities of default) by a factor of 4.2. At the peak of the COVID-19 crisis (balance sheet date 31 December 2020), a comparable situation emerged due to the recognition of COVID-19-related post-model adjustments. Hence, the current uncertainties in connection with the inflation rate and the war between Russia and Ukraine are valuated to be more or less equivalent to the uncertainties at the peak of the COVID-19 crisis.

Post-model adjustments

Due to the weighting of the Adverse scenario being increased, we do not consider it necessary at present to perform any further model adjustments or any significant post-model adjustments for the key customer groups.

Some of the bank’s sub-portfolios are characterised by a very favourable risk profile and below-average susceptibility to potential adverse macroeconomic fluctuations. For these sub-portfolios, therefore, by way of derogation from the remaining receivables, a scenario weighting of 68 % Baseline and 32 % Adverse is used.

- Receivables to banks sub-portfolio: the effect is approximately euro 0.1 million less risk provisions compared to the general model.
- Loans and receivables customers sub-portfolio of Ärzte- und Apothekerbank: the effect is approximately euro 1.7 million less risk provisions compared to the general model.

Impairments Stage 3

In spite of the two crises, the positive developments in the sphere of defaulted customers have continued in 2022. The NPL portfolio was further diminished, and the NPL ratio further reduced. For many NPL exposures, resolution was carried out successfully and/or the previously formed risk provisions were released in profit or loss. A net allocation of impairments for NPL customers (Stage 3) plus direct write-offs amounting to euro 2.2 million was recognised in the consolidated financial statements (2021: net reversal euro 8.7 million). In addition, extraordinary income was recognised from receivables previously written off in the amount of euro 5.9 million (2021: extraordinary income of euro 8.2 million).

Sensitivity analyses of risk provisions

Sensitivity analyses are performed to quantify the estimation uncertainties of the models for ECL measurement in the current novel situation.

Staging is always made at the individual customer or individual account level and presupposes that the bank can adequately perform an individual customer credit assessment. In order to illustrate the effects of estimation uncertainties in the underlying assumptions, the effects of a hypothetical assignment of the total portfolio of loans and receivables customers to Stage 2 or Stage 1 are analysed.

	in euro million	in % of risk provisions Portfolio (Performing)
Risk provisions (Stage 1 & 2 portfolio, incl. off-balance provisions without PMA)	151.1	100.0 %
All receivables transferred to Stage 2	165.1	109.3 %
All receivables transferred to Stage 1	-57.7	-38.2 %

In determining the lifetime PD parameters, the Adverse scenario was weighted at 75 % (designed in line with the Adverse scenarios of the ECB / OeNB of June 2022). Current macroeconomic scenarios were published by the ECB in December 2022. The following table shows sensitivity analyses with regard to these current scenarios.

If the ECB's latest available macroeconomic forecast (Baseline scenario) were applied, a reversal of risk provisions would follow in the amount of euro 79.8 million. Even though this current ECB forecast shows a more positive outlook than the scenario used in the model, we consider the method chosen to measure the ECL to be appropriate. The main reasons for this are:

- The geopolitical uncertainties related to the Russia-Ukraine war and the resulting instability of the energy and commodity markets, which in turn are reflected in uncertain and volatile macroeconomic forecasts, especially in terms of Adverse scenarios.
- The continuing risk of stagflation, taking into account that the time series used for quantitative ECL modelling do not cover periods of high inflation. Thus, the models contain intrinsic uncertainty.
- The structure of the loan portfolio (characterised by small-scale SME business) and, in general, the high proportion of variable credits in the Association of Volksbanks that are affected by interest hikes.

	in euro million	in % of risk provisions Portfolio (Performing)
Risk provisions (Stage 1 & 2 portfolio, incl. off-balance provisions without PMA)	151.1	100.0 %
ECB scenario set 12/2022, weighting 100 % Baseline	-79.8	-52.8 %
ECB scenario set 12/2022, weighting 100 % Adverse	-38.1	-25.2 %

The ECL measurement for Stage 3 customers uses current estimates for the fair values of the collaterals. Sensitivities with regard to these fair values are presented. In addition, customers subject to restructuring tend to have lower risk provisions than those subject to debt enforcement (workout). The effects of a transition following the workout of the Bank's restructuring portfolio are also presented as part of the sensitivities in the NPL area.

	in euro million	in basis points Coverage Ratio I
Risk provisions NPL (Stage 3 portfolio)	149.4	33.0 %
Depreciation by 15 %	35.2	7.8 %
Depreciation by 25 %	49.1	10.9 %
All receivables in workout	12.6	2.8 %

Regulatory risk provision – NPL backstop

Due to the requirements for the minimum coverage of non-performing risk positions pursuant to the CRR, additional capital may be required for the risk positions concerned. These provisions supplement the ECB requirements previously applicable to the Association of Volksbanks (Supervisory Coverage Expectations for NPE) and the requirements submitted by means of the SREP notice. Hence, all non-performing exposures are subject to one of the aforementioned requirements and may be subject to regulatory provisioning in the form of deductions from equity in Pillar 1 or Pillar 2. The determination of this provision is fully automated within the Association of Volksbanks.

In order to limit the equity effects as far as possible, a restriction on the retention period in the NPL portfolio was introduced.

Credit risk reporting

Credit risk reporting takes place monthly (truncated version) and quarterly (detailed version) with the aim to provide a detailed presentation of the credit risk for a certain reporting date and to report the same to the entire Managing Board. Relevant reports are prepared for the Association, the major units and the key areas of business. The information is also included in the credit risk section of the aggregate bank risk report.

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

The following analyses are part of the report:

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

In addition to reporting as part of the aggregate bank risk report, a Fast Close Risk Report is prepared at association level on a monthly basis immediately after month-end based on daily raw data from the core banking system. The report provides an initial indication of the current development of the customer portfolio, of crisis indicators, and of inflows and outflows in the NPL (non-performing loans) and forbearance portfolio. It also includes a brief overview of the development of risk provisions and the portfolio affected by COVID-19 measures, in order to track developments on an ongoing basis and implement measures promptly.

Development of the credit risk-related portfolio in 2022

Definition of credit risk-related portfolio

The credit risk-related portfolio comprises all positions that include a credit risk in the narrower sense. Credit risk-related positions are included in the following balance sheet and off-balance sheet items:

- Liquid funds excl. cash in hand, since the latter does not include any credit risk
- Loans and receivables credit institutions, gross
- Loans and receivables customers, gross
- Assets held for trading: only fixed-income securities are included, but no positive fair values from derivatives, as they do not include any credit risk in the narrower sense
- Financial investments: here, too, only fixed-income securities are included. Equities are excluded, as they do not include any credit risk in the narrower sense
- Contingent liabilities: liabilities arising from guarantees, contingencies and letters of credit are included, other liabilities are excluded
- Credit risks: include commitments not utilised yet

The following table shows the credit risk-related portfolio as at 31 December 2022 compared to the previous year. The relevant figure is the gross value before deduction of any impairments, collaterals or other credit risk mitigating effects

Credit-risk-relevant portfolio

Euro thousand	31 Dec 2022	31 Dec 2021
Liquid funds	3,302,486	6,722,765
Loans and receivables credit institutions	123,049	256,590
At amortised cost	123,049	256,532
At fair value	0	58
Loans and receivables customers	22,530,304	21,836,493
At amortised cost	22,133,939	21,490,338
At fair value	396,364	346,154
Assets held for trading - fixed-income securities	544	486
At fair value	544	486
Financial investments - fixed-income securities	2,377,206	2,381,743
At amortised cost	2,293,548	2,297,529
At fair value	83,658	84,214
Contingent liabilities	702,944	764,832
Credit risks	3,458,162	3,396,504
Total	**32,494,695**	**35,359,413**

As at 31 December 2022, the total credit risk-related portfolio amounted to euro 32,494,695 thousand (2021: euro 35,359,413 thousand). Loans and receivables customers constitute the biggest group of receivables, which corresponds to the business model of classic lending business with a focus on Private and SME customers. As at 31 December 2022, the loans and receivables customers include receivables from finance leases in the amount of euro 181,242 thousand (2021: euro 181,217 thousand). Due to the low share of 0.8 % (2021: 0.8 %) of total loans and receivables customers, the lease portfolio is not presented separately.

Loans and receivables credit institutions and liquid funds are primarily used to manage liquidity and include a comparatively low credit risk. Financial investments primarily include securities from the Treasury portfolio that are also preferentially used to manage the liquidity of the entire Association of Volksbanks. The majority of credit risk-related securities are Austrian and European government bonds and covered bonds of European banks in the investment grade range. A securities portfolio with the main objective of generating profits from market trends is not aimed at within the Association of Volksbanks. As liquidity risk is controlled centrally by the CO, there are hardly any credit risk-related positions in these balance sheet items within the other Volksbanks.

Among off-balance sheet items, it is mainly loan commitments not utilised yet and liabilities from guarantees and contingencies that are of significance.

Therefore, the internal focus of credit risk control is on balance sheet and off-balance sheet loans and receivables customers.

Development by customer segments[1]

The following tables show the distribution of the credit risk-related portfolio by balance sheet items and customer segments. As at 31 December 2022, the largest customer segment of the credit risk-relevant items is the SME segment in the amount of euro 13,550,738 thousand (2021: euro 13,410,125 thousand) that is internally broken down into SME Retail, SME and SME Corporate followed by the private customer segment.

[1] *The definition of customer segments is derived from the regulatory classification criteria.*

Portfolio diveded by customer segments

Euro thousand 31 Dec 2022	Banks	Retail private	SME	Corporates	Public sector	Others	Total
Liquid funds	0	0	0	0	3,302,486	0	3,302,486
Loans and receivables credit institutions	123,049	0	0	0	0	0	123,049
At amortised cost	123,049	0	0	0	0	0	123,049
At fair value	0	0	0	0	0	0	0
Loans and receivables customers	0	8,884,235	11,139,701	581,356	256,511	1,668,500	22,530,304
At amortised cost	0	8,728,572	11,033,966	577,075	252,950	1,541,376	22,133,939
At fair value	0	155,663	105,736	4,280	3,562	127,124	396,364
Assets held for trading - fixed-income securities	0	0	0	544	0	0	544
At fair value	0	0	0	544	0	0	544
Financial investments - fixed-income securities	1,349,022	0	0	68,693	959,491	0	2,377,206
At amortised cost	1,299,556	0	0	67,771	926,221	0	2,293,548
At fair value	49,467	0	0	922	33,270	0	83,658
Contingent liabilities	10,732	82,806	563,306	35,178	845	10,076	702,944
Credit risks	2,060	997,814	1,847,730	178,325	191,962	240,270	3,458,162
Total	**1,484,864**	**9,964,855**	**13,550,738**	**864,096**	**4,711,296**	**1,918,847**	**32,494,695**

31 Dec 2021	Banks	Retail private	SME	Corporates	Public sector	Others	Total
Liquid funds	0	0	0	0	6,722,765	0	6,722,765
Loans and receivables credit institutions	256,590	0	0	0	0	0	256,590
At amortised cost	256,532	0	0	0	0	0	256,532
At fair value	58	0	0	0	0	0	58
Loans and receivables customers	0	8,685,529	10,940,016	623,918	293,229	1,293,801	21,836,493
At amortised cost	0	8,481,745	10,854,908	622,956	288,067	1,242,663	21,490,338
At fair value	0	203,785	85,108	962	5,162	51,138	346,154
Assets held for trading - fixed-income securities	7	0	0	480	0	0	486
At fair value	7	0	0	480	0	0	486
Financial investments - fixed-income securities	1,171,651	0	0	46,059	1,164,033	0	2,381,743
At amortised cost	1,126,170	0	0	44,997	1,126,362	0	2,297,529
At fair value	45,481	0	0	1,062	37,671	0	84,214
Contingent liabilities	9,110	71,015	635,147	44,730	164	4,667	764,832
Credit risks	300	1,002,158	1,834,962	139,441	200,135	219,508	3,396,504
Total	**1,437,657**	**9,758,702**	**13,410,125**	**854,627**	**8,380,326**	**1,517,975**	**35,359,413**

Development by currencies

In line with the risk strategy, the major part of the loan portfolio is denominated in euros; the FX holdings within loans and receivables customers – especially FX loans – are gradually reduced.

Portfolio distribution by currencies

Euro thousand **31 Dec 2022**	**EUR**	**CHF**	**Others**	**Total**
Liquid funds	3,302,486	0	0	3,302,486
Loans and receivables credit institutions	118,621	384	4,044	123,049
At amortised cost	118,621	384	4,044	123,049
At fair value	0	0	0	0
Loans and receivables customers	21,991,126	524,720	14,457	22,530,304
At amortised cost	21,595,252	524,230	14,457	22,133,939
Thereof Retail private	8,325,913	396,188	6,472	8,728,572
Thereof SME	10,898,859	127,840	7,267	11,033,966
Thereof Corporates	576,255	102	718	577,075
Thereof other	1,794,225	101	0	1,794,326
At fair value	395,874	490	0	396,364
Thereof Retail private	155,172	490	0	155,663
Thereof SME	105,736	0	0	105,736
Thereof Corporates	4,280	0	0	4,280
Thereof other	130,685	0	0	130,685
Assets held for trading - fixed-income securities	544	0	0	544
At fair value	544	0	0	544
Financial investments - fixed-income securities	2,377,206	0	0	2,377,206
At amortised cost	2,293,548	0	0	2,293,548
Thereof Banks	1,299,556	0	0	1,299,556
Thereof Corporates	67,771	0	0	67,771
Thereof Public sector	926,221	0	0	926,221
Thereof other	0	0	0	0
At fair value	83,658	0	0	83,658
Thereof Banks	49,467	0	0	49,467
Thereof Corporates	922	0	0	922
Thereof Public sector	33,270	0	0	33,270
Thereof other	0	0	0	0
Contingent liabilities	700,654	2,180	110	702,944
Thereof Banks	10,732	0	0	10,732
Thereof Retail private	81,148	1,658	0	82,806
Thereof SME	562,816	476	14	563,306
Thereof Corporates	35,036	46	96	35,178
Thereof other	10,921	0	0	10,921
Credit risks	3,453,023	1,554	3,585	3,458,162
Thereof Banks	2,060	0	0	2,060
Thereof Retail private	997,630	178	6	997,814
Thereof SME	1,844,118	1,376	2,236	1,847,730
Thereof Corporates	176,983	0	1,343	178,325
Thereof other	432,233	0	0	432,233
Total	**31,943,661**	**528,838**	**22,196**	**32,494,695**

Euro thousand 31 Dec 2021	EUR	CHF	Others	Total
Liquid funds	6,722,765	0	0	6,722,765
Loans and receivables credit institutions	249,610	3,847	3,133	256,590
At amortised cost	249,552	3,847	3,133	256,532
At fair value	58	0	0	58
Loans and receivables customers	21,202,500	610,204	23,789	21,836,493
At amortised cost	20,856,816	609,734	23,789	21,490,338
Thereof Retail private	8,016,092	455,242	10,411	8,481,745
Thereof SME	10,690,190	154,088	10,630	10,854,908
Thereof Corporates	620,087	122	2,747	622,956
Thereof other	1,530,447	283	0	1,530,730
At fair value	345,684	471	0	346,154
Thereof Retail private	203,314	471	0	203,785
Thereof SME	85,108	0	0	85,108
Thereof Corporates	962	0	0	962
Thereof other	56,300	0	0	56,300
Assets held for trading - fixed-income securities	486	0	0	486
At fair value	486	0	0	486
Financial investments - fixed-income securities	2,365,485	0	16,258	2,381,743
At amortised cost	2,281,271	0	16,258	2,297,529
Thereof Banks	1,126,170	0	0	1,126,170
Thereof Corporates	44,997	0	0	44,997
Thereof Public sector	1,110,104	0	16,258	1,126,362
Thereof other	0	0	0	0
At fair value	84,214	0	0	84,214
Thereof Banks	45,481	0	0	45,481
Thereof Corporates	1,062	0	0	1,062
Thereof Public sector	37,671	0	0	37,671
Thereof other	0	0	0	0
Contingent liabilities	762,800	1,999	33	764,832
Thereof Banks	9,110	0	0	9,110
Thereof Retail private	69,418	1,597	0	71,015
Thereof SME	634,766	359	21	635,147
Thereof Corporates	44,675	44	12	44,730
Thereof other	4,831	0	0	4,831
Credit risks	3,392,695	1,585	2,224	3,396,504
Thereof Banks	300	0	0	300
Thereof Retail private	1,001,854	287	17	1,002,158
Thereof SME	1,831,668	1,299	1,995	1,834,962
Thereof Corporates	139,229	0	212	139,441
Thereof other	419,643	0	0	419,643
Total	**34,696,341**	**617,636**	**45,436**	**35,359,413**

Development of repayment vehicle and foreign currency loans

As at 31 December 2022, the total borrowings under repayment vehicle and foreign currency loans amounted to euro 710,425 thousand (2021: euro 855,380 thousand).

Development by countries

The main business activity of the Association of Volksbanks focuses on the Austrian market. This is also evident from the following tables. As at 31 December 2022, Austrian exposures accounted for 91.9 % of the credit risk-related portfolio (2021: 92.2 %).

Portfolio distribution by countries

Euro thousand **31 Dec 2022**	**Austria**	**Germany**	**Others**	**Total**
Liquid funds	3,302,486	0	0	3,302,486
Loans and receivables credit institutions	20,714	39,765	62,571	123,049
At amortised cost	20,714	39,765	62,571	123,049
At fair value	0	0	0	0
Loans and receivables customers	21,525,272	792,482	212,550	22,530,304
At amortised cost	21,141,395	784,456	208,089	22,133,939
Thereof Retail private	8,397,718	225,038	105,816	8,728,572
Thereof SME	10,621,126	332,906	79,934	11,033,966
Thereof Corporates	485,334	73,729	18,013	577,075
Thereof other	1,637,217	152,783	4,326	1,794,326
At fair value	383,877	8,026	4,461	396,364
Thereof Retail private	149,164	2,150	4,349	155,663
Thereof SME	99,748	5,876	112	105,736
Thereof Corporates	4,280	0	0	4,280
Thereof other	130,685	0	0	130,685
Assets held for trading - fixed-income securities	544	0	0	544
At fair value	544	0	0	544
Financial investments - fixed-income securities	918,283	261,755	1,197,168	2,377,206
At amortised cost	881,987	239,451	1,172,110	2,293,548
Thereof Banks	415,927	189,340	694,289	1,299,556
Thereof Corporates	3,871	0	63,900	67,771
Thereof Public sector	462,188	50,111	413,922	926,221
Thereof other	0	0	0	0
At fair value	36,296	22,304	25,058	83,658
Thereof Banks	11,760	22,304	15,403	49,467
Thereof Corporates	922	0	0	922
Thereof Public sector	23,614	0	9,655	33,270
Thereof other	0	0	0	0
Contingent liabilities	691,998	7,900	3,047	702,944
Thereof Banks	10,624	108	0	10,732
Thereof Retail private	78,816	2,297	1,694	82,806
Thereof SME	557,425	5,375	505	563,306
Thereof Corporates	34,211	119	848	35,178
Thereof other	10,921	0	0	10,921
Credit risks	3,394,917	54,459	8,786	3,458,162
Thereof Banks	2,060	0	0	2,060
Thereof Retail private	980,411	13,953	3,449	997,814
Thereof SME	1,813,238	29,156	5,337	1,847,730
Thereof Corporates	174,698	3,628	0	178,325
Thereof other	424,510	7,723	0	432,233
Total	**29,854,213**	**1,156,360**	**1,484,121**	**32,494,695**

Euro thousand 31 Dec 2021	Austria	Germany	Others	Total
Liquid funds	6,722,765	0	0	6,722,765
Loans and receivables credit institutions	45,581	98,628	112,381	256,590
At amortised cost	45,522	98,628	112,381	256,532
At fair value	58	0	0	58
Loans and receivables customers	20,810,735	745,236	280,521	21,836,493
At amortised cost	20,477,091	739,084	274,163	21,490,338
Thereof Retail private	8,149,941	212,409	119,395	8,481,745
Thereof SME	10,410,865	350,198	93,845	10,854,908
Thereof Corporates	497,929	69,677	55,350	622,956
Thereof other	1,418,356	106,801	5,572	1,530,730
At fair value	333,644	6,152	6,359	346,154
Thereof Retail private	195,113	2,444	6,228	203,785
Thereof SME	81,269	3,708	131	85,108
Thereof Corporates	962	0	0	962
Thereof other	56,300	0	0	56,300
Assets held for trading - fixed-income securities	486	0	0	486
At fair value	486	0	0	486
Financial investments - fixed-income securities	968,570	252,805	1,160,367	2,381,743
At amortised cost	926,764	227,984	1,142,781	2,297,529
Thereof Banks	333,857	181,565	610,748	1,126,170
Thereof Corporates	4,274	0	40,723	44,997
Thereof Public sector	588,633	46,419	491,310	1,126,362
Thereof other	0	0	0	0
At fair value	41,807	24,822	17,586	84,214
Thereof Banks	13,219	24,822	7,440	45,481
Thereof Corporates	1,062	0	0	1,062
Thereof Public sector	27,525	0	10,146	37,671
Thereof other	0	0	0	0
Contingent liabilities	751,916	8,400	4,516	764,832
Thereof Banks	9,002	108	0	9,110
Thereof Retail private	67,304	1,637	2,074	71,015
Thereof SME	628,115	6,537	494	635,147
Thereof Corporates	42,664	119	1,948	44,730
Thereof other	4,831	0	0	4,831
Credit risks	3,321,553	65,178	9,772	3,396,504
Thereof Banks	300	0	0	300
Thereof Retail private	980,906	14,431	6,821	1,002,158
Thereof SME	1,791,386	40,624	2,951	1,834,962
Thereof Corporates	135,291	4,149	0	139,441
Thereof other	413,670	5,973	0	419,643
Total	**32,621,607**	**1,170,248**	**1,567,558**	**35,359,413**

Development by sectors[2]

The most important sector within loans and receivables customers of the Association of Volksbanks are private households with 39.4 % as at 31 December 2022 (2021: 39.8 %). As at 31 December 2022, the largest commercial sector in loans and receivables customers within the Association of Volksbanks is the real estate sector. It accounts for a share of 28.0 % (2021: 27.8 %). As at 31 December 2022, the largest commercial sector within loans and receivables customers in the SME segment is the real estate sector, accounting for 40.9 % (2021: 43.1 %), followed by the tourism sector with a share of 13.6 % (2021: 14.2 %). As at 31 December 2022, the largest commercial sector within loans and receivables customers in the Corporate segment is again the real estate sector, accounting for 22.8 % (2021: 29.7 %).

Portfolio distribution by sectors

Euro thousand 31 Dec 2022	Private households	Financial services incl. Banks	Public authorities	Real estate	Construction industry
Liquid funds	0	0	3,302,486	0	0
Loans and receivables credit institutions	0	123,049	0	0	0
At amortised cost	0	123,049	0	0	0
At fair value	0	0	0	0	0
Loans and receivables customers	8,884,232	198,546	256,511	6,304,659	648,623
At amortised cost	8,728,569	198,130	252,950	6,114,188	645,812
At fair value	155,663	417	3,562	190,471	2,811
Assets held for trading - fixed-income securities	0	0	0	190	0
At fair value	0	0	0	190	0
Financial investments - fixed-income securities	0	1,361,052	959,491	0	0
At amortised cost	0	1,311,585	926,221	0	0
At fair value	0	49,467	33,270	0	0
Contingent liabilities	80,080	82,008	845	46,893	103,336
Credit risks	993,764	36,543	191,962	691,855	256,164
Total	**9,958,076**	**1,801,198**	**4,711,296**	**7,043,598**	**1,008,124**

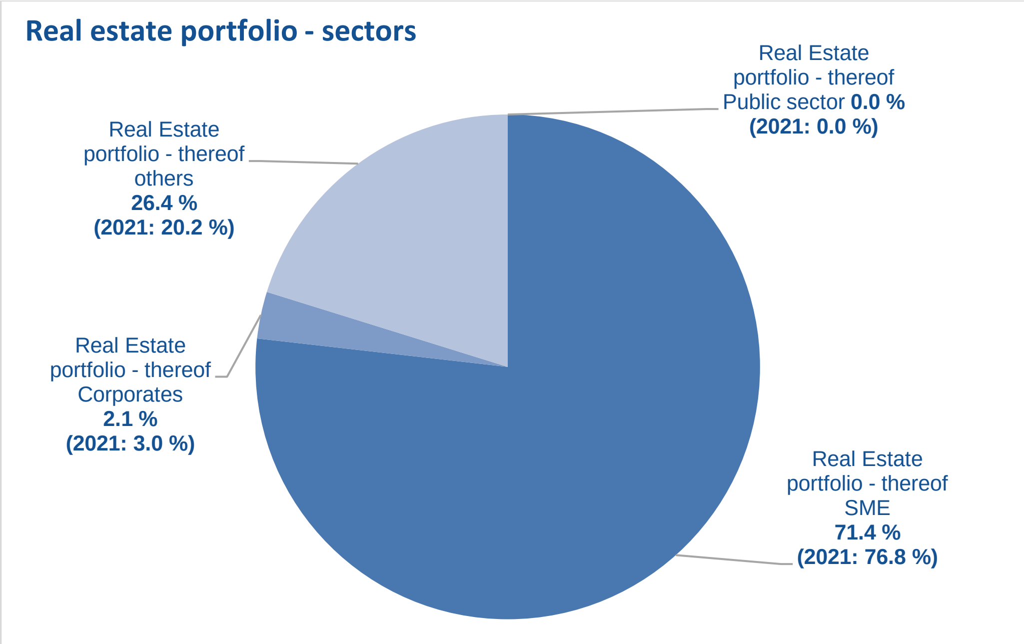
Euro thousand 31 Dec 2022	Tourism	Trade and repairs	Physicians/ healthcare	Food/ agriculture and forestry	Others	Total
Liquid funds	0	0	0	0	0	3,302,486
Loans and receivables credit institutions	0	0	0	0	0	123,049
At amortised cost	0	0	0	0	0	123,049
At fair value	0	0	0	0	0	0
Loans and receivables customers	1,573,860	944,940	669,821	710,203	2,338,908	22,530,304
At amortised cost	1,562,725	938,352	669,098	702,156	2,321,960	22,133,939
At fair value	11,135	6,588	723	8,047	16,948	396,364
Assets held for trading - fixed-income securities	0	0	0	0	354	544
At fair value	0	0	0	0	354	544
Financial investments - fixed-income securities	0	0	0	0	56,663	2,377,206
At amortised cost	0	0	0	0	55,741	2,293,548
At fair value	0	0	0	0	922	83,658
Contingent liabilities	122,606	64,148	14,772	16,278	171,978	702,944
Credit risks	125,845	337,234	142,557	108,950	573,287	3,458,162
Total	**1,822,310**	**1,346,322**	**827,151**	**835,431**	**3,141,190**	**32,494,695**

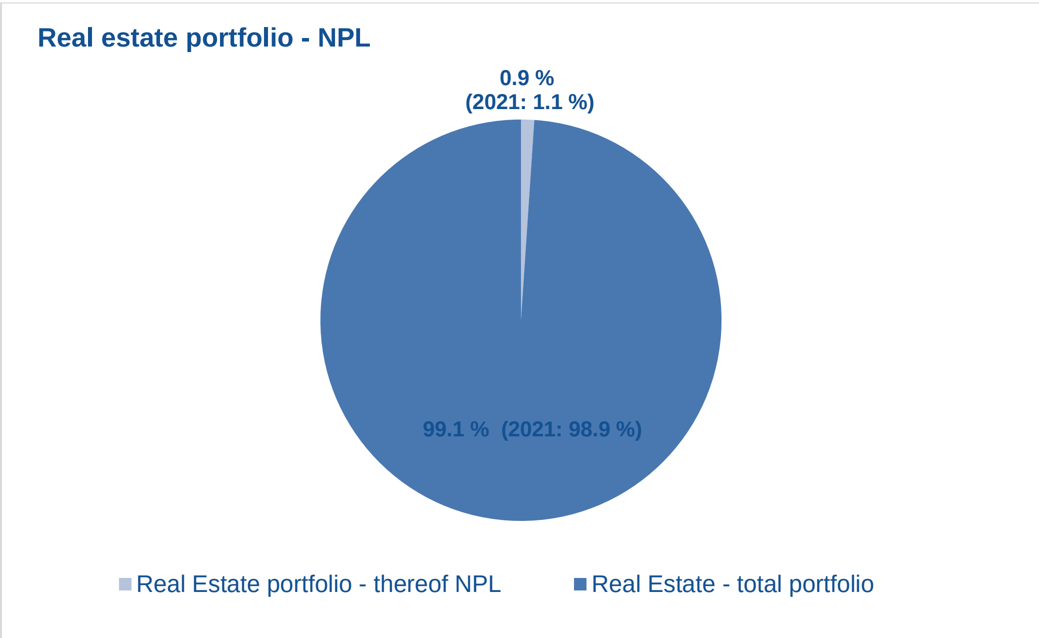
[2]The definition of the sector is largely aligned with the ÖNACE codes and cannot be compared directly with customer segments, where a different classification logic is applied.

Euro thousand 31 Dec 2021	Private households	Financial services incl. Banks	Public authorities	Real estate	Construction industry
Liquid funds	0	0	6,722,765	0	0
Loans and receivables credit institutions	0	256,590	0	0	0
At amortised cost	0	256,532	0	0	0
At fair value	0	58	0	0	0
Loans and receivables customers	8,685,527	207,265	293,229	6,071,953	634,771
At amortised cost	8,481,743	206,830	288,067	5,986,701	631,647
At fair value	203,785	435	5,162	85,253	3,124
Assets held for trading - fixed-income securities	0	7	0	90	9
At fair value	0	7	0	90	9
Financial investments - fixed-income securities	0	1,171,028	1,164,033	0	0
At amortised cost	0	1,125,547	1,126,362	0	0
At fair value	0	45,481	37,671	0	0
Contingent liabilities	71,434	109,289	164	50,087	111,070
Credit risks	998,145	50,272	200,135	648,943	255,180
Total	**9,755,106**	**1,794,450**	**8,380,326**	**6,771,073**	**1,001,029**

Euro thousand 31 Dec 2021	Tourism	Trade and re-pairs	Physicians/ healthcare	Food/ agriculture and forestry	Others	Total
Liquid funds	0	0	0	0	0	6,722,765
Loans and receivables credit institutions	0	0	0	0	0	256,590
At amortised cost	0	0	0	0	0	256,532
At fair value	0	0	0	0	0	58
Loans and receivables customers	1,614,105	918,869	713,509	695,698	2,001,567	21,836,493
At amortised cost	1,600,814	911,589	712,620	685,381	1,984,948	21,490,338
At fair value	13,291	7,280	889	10,317	16,619	346,154
Assets held for trading - fixed-income securities	0	0	0	0	381	486
At fair value	0	0	0	0	381	486
Financial investments - fixed-income securities	0	0	0	0	46,681	2,381,743
At amortised cost	0	0	0	0	45,619	2,297,529
At fair value	0	0	0	0	1,062	84,214
Contingent liabilities	131,603	74,601	0	14,523	202,061	764,832
Credit risks	117,541	322,089	0	108,459	695,740	3,396,504
Total	**1,863,249**	**1,315,559**	**713,509**	**818,681**	**2,946,431**	**35,359,413**

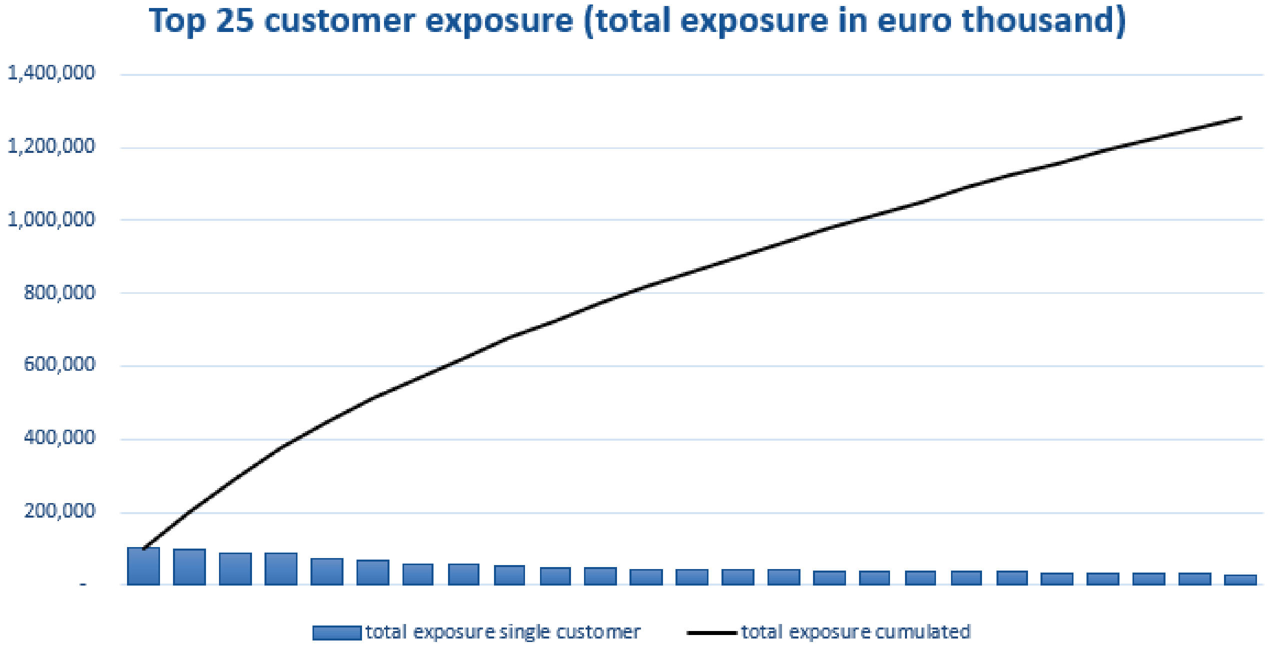
The following charts show the distribution of the real estate portfolio by segments, and the proportion of non-performing loans within the real estate portfolio. The major part of the real estate portfolio is found in the SME segment, with 71.4 % (2021: 76.8 %); at 0.9 % (2021: 1.1 %), the NPL ratio as at 31 December 2022 in the real estate portfolio is below the NPL ratio of internal risk control for the Association of Volksbanks, with 1.7 % (2021: 1.9 %).





Presentation of the Top 25 exposures

The following chart shows the Top 25 loans and receivables customers within the Association of Volksbanks as at 31 December 2022 with the total exposure per individual customer as well as the cumulative total exposure of euro 1,279,700 thousand (2021: euro 1,142,627 thousand) and reflects the business model of the Association with a focus on small-volume private and SME customers. The Top 25 loans and receivables customers correspond to some 4.8 % (2021: 4.4 %) of total loans and receivables customers within the Association (Top no. 1 customer: 0.4 % of total loans and receivables customers). The values are shown in line with the internal risk perspective, i.e. loans and receivables customers as well as credit risks and contingent liabilities to customers excluding internal transactions within the Association.



Development by ratings

The division of the individual risk categories is effected according to the internal rating levels applicable within the Association. Receivables of risk category 1 have the highest credit rating (lowest expected default rate), while receivables of risk category 4 have the lowest credit rating, and receivables of risk category 5 constitute defaulted receivables (non-performing loans, NPLs). The NR category primarily comprises exposures below the threshold for mandatory rating.

Portfolio distribution by ratings and stages

Euro thousand	Risk category						
31 Dec 2022	1 (1A - 1E)	2 (2A - 2E)	3 (3A - 3E)	4 (4A - 4E)	5 (5A - 5E)	6 (NR)	Total
Liquid funds	3,302,486	0	0	0	0	0	3,302,486
Loans and receivables credit institutions	40,153	82,826	70	0	0	0	123,049
At amortised cost	40,153	82,826	70	0	0	0	123,049
Thereof Stage 1	40,153	82,586	15	0	0	0	122,754
Thereof Stage 2	0	240	55	0	0	0	295
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	0	0	0	0	0	0	0
Loans and receivables customers	934,775	10,249,474	10,189,543	722,982	429,607	3,922	22,530,304
At amortised cost	914,916	10,108,091	9,975,304	710,955	420,753	3,919	22,133,939
Thereof Stage 1	905,905	9,777,614	8,416,030	92,165	0	1,221	19,192,936
Thereof Stage 2	9,011	330,477	1,559,274	618,790	0	2,697	2,520,250
Thereof Stage 3	0	0	0	0	420,753	0	420,753
At fair value	19,858	141,383	214,239	12,027	8,854	3	396,364
Assets held for trading - fixed-income securities	0	182	363	0	0	0	544
At fair value	0	182	363	0	0	0	544
Financial investments - fixed-income securities	1,471,664	905,542	0	0	0	0	2,377,206
At amortised cost	1,413,763	879,785	0	0	0	0	2,293,548
Thereof Stage 1	1,413,763	879,785	0	0	0	0	2,293,548
Thereof Stage 2	0	0	0	0	0	0	0
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	57,901	25,757	0	0	0	0	83,658
Contingent liabilities	25,657	325,718	320,388	20,522	10,274	385	702,944
Thereof Stage 1	23,919	279,808	243,647	3,656	0	302	551,332
Thereof Stage 2	1,738	45,910	76,741	16,866	0	83	141,338
Thereof Stage 3	0	0	0	0	10,274	0	10,274
Credit risks	557,047	1,472,187	1,369,519	41,922	10,996	6,491	3,458,162
Thereof Stage 1	542,270	1,399,858	1,238,432	13,128	0	2,504	3,196,191
Thereof Stage 2	14,778	72,329	131,087	28,794	0	3,987	250,975
Thereof Stage 3	0	0	0	0	10,996	0	10,996
Total	**6,331,782**	**13,035,928**	**11,879,883**	**785,426**	**450,878**	**10,798**	**32,494,695**

Euro thousand	Risk category						
31 Dec 2021	1 (1A - 1E)	2 (2A - 2E)	3 (3A - 3E)	4 (4A - 4E)	5 (5A - 5E)	6 (NR)	Total
Liquid funds	6,722,765	0	0	0	0	0	6,722,765
Loans and receivables credit institutions	140,376	116,161	53	0	0	0	256,590
At amortised cost	140,376	116,102	53	0	0	0	256,532
Thereof Stage 1	140,376	115,806	7	0	0	0	256,189
Thereof Stage 2	0	296	46	0	0	0	342
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	0	58	0	0	0	0	58
Loans and receivables customers	797,515	9,779,145	9,854,960	926,145	473,935	4,793	21,836,493
At amortised cost	773,597	9,607,782	9,727,769	913,650	462,755	4,785	21,490,338
Thereof Stage 1	769,208	9,289,883	8,190,581	97,573	0	2,228	18,349,474
Thereof Stage 2	4,390	317,899	1,537,188	816,077	0	2,557	2,678,110
Thereof Stage 3	0	0	0	0	462,755	0	462,755
At fair value	23,918	171,363	127,190	12,495	11,181	8	346,154
Assets held for trading - fixed-income securities	0	87	399	0	0	0	486
At fair value	0	87	399	0	0	0	486
Financial investments - fixed-income securities	1,452,889	928,853	0	0	0	0	2,381,743
At amortised cost	1,397,024	900,504	0	0	0	0	2,297,529
Thereof Stage 1	1,397,024	900,504	0	0	0	0	2,297,529
Thereof Stage 2	0	0	0	0	0	0	0
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	55,865	28,349	0	0	0	0	84,214
Contingent liabilities	11,923	346,474	364,827	20,420	8,876	12,311	764,832
Thereof Stage 1	11,447	297,666	298,197	6,086	0	12,160	625,557
Thereof Stage 2	476	48,808	66,630	14,334	0	151	130,399
Thereof Stage 3	0	0	0	0	8,876	0	8,876
Credit risks	531,255	1,347,819	1,444,567	56,936	9,310	6,617	3,396,504
Thereof Stage 1	521,272	1,284,916	1,283,849	14,394	0	2,772	3,107,203
Thereof Stage 2	9,982	62,903	160,718	42,542	0	3,845	279,990
Thereof Stage 3	0	0	0	0	9,310	0	9,310
Total	**9,656,723**	**12,518,540**	**11,664,807**	**1,003,500**	**492,122**	**23,721**	**35,359,413**

Effects from contract amendments

For the year 2022, the effect on the income statement from changes in contracts for financial instruments is euro 876 thousand (2021: euro -6,109 thousand). Within the Association of Volksbanks, this concerns loans and receivables customers exclusively.

Development of NPL portfolio

Receivables are considered defaulted if there is a default of payment of more than 90 days, pursuant to the CRR, and/or if it is unlikely that the borrower is going to meet its loan obligations in full without recourse to certain measures, such as the liquidation of any collateral (if available). The defaulted loans or NPLs are allocated to risk category 5 within the Association of Volksbanks. Internal steering is based on the NPL ratio for balance sheet and off-balance sheet loans and advances to customers. While defaults are monitored for the remaining types of receivables as well, in the past they have been of minor importance for the purpose of control.

As at 31 December 2022, the NPL ratio within internal risk control amounted to 1.7 % for the Association (2021: 1.9 %).

The NPL coverage ratio through risk provisions or Coverage Ratio I for internal reporting amounts to 33.2 % for the Association as at 31 December 2022 (2021: 35.6 %).

The NPL coverage ratio through risk provisions or Coverage Ratio III for internal reporting amounts to 105.6 % for the Association as at 31 December 2022 (2021: 105.4 %). These ratios under the internal risk perspective exclusively refer to loans and receivables customers as well as credit risks and contingent liabilities to customers. The values shown in the following table reflect the balance sheet perspective and differ slightly from the key figures according to the internal risk view.

Portfolio distribution NPL portfolio

Euro thousand 31 Dec 2022	Loan volume - total	NPL	NPL Ratio	Risk provisions for NPL
Liquid funds	3,302,486	0	0.00 %	0
Loans and receivables credit institutions	123,049	0	0.00 %	0
At amortised cost	123,049	0	0.00 %	0
At fair value	0	0	0.00 %	0
Loans and receivables customers	22,530,304	429,607	1.91 %	141,263
At amortised cost	22,133,939	420,753	1.90 %	141,263
Thereof Retail private	8,728,572	84,830	0.97 %	23,225
Thereof SME	11,033,966	292,138	2.65 %	106,435
Thereof Corporates	577,075	24,782	4.29 %	3,459
Thereof other	1,794,326	19,004	1.06 %	8,145
At fair value	396,364	8,854	2.23 %	0
Thereof Retail private	155,663	4,819	3.10 %	0
Thereof SME	105,736	3,071	2.90 %	0
Thereof Corporates	4,280	0	0.00 %	0
Thereof other	130,685	964	0.74 %	0
Assets held for trading - fixed-income securities	544	0	0.00 %	0
At fair value	544	0	0.00 %	0
Financial investments - fixed-income securities	2,377,206	0	0.00 %	0
At amortised cost	2,293,548	0	0.00 %	0
At fair value	83,658	0	0.00 %	0
Contingent liabilities	702,944	10,274	1.46 %	4,562
Credit risks	3,458,162	10,996	0.32 %	4,061
Total	**32,494,695**	**450,878**	**1.39 %**	**149,885**
Loans and receivables customers, contingent liabilities, credit risks	26,691,409	450,877	1.69 %	149,885
Liquid funds, loans and receivables credit institutions and customers	25,955,839	429,607	1.66 %	141,263

	NPL coverage ratio (Loan loss allowance)	Collateral for NPL	NPL coverage ratio (Loan loss allowance + collateral)
Liquid funds	0.00 %	0	0.00 %
Loans and receivables credit institutions	0.00 %	0	0.00 %
At amortised cost	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Loans and receivables customers	32.88 %	319,102	107.16 %
At amortised cost	33.57 %	310,466	107.36 %
Thereof Retail private	27.38 %	66,081	105.28 %
Thereof SME	36.43 %	205,887	106.91 %
Thereof Corporates	13.96 %	24,324	112.11 %
Thereof other	42.86 %	14,174	117.44 %
At fair value	0.00 %	8,636	97.54 %
Thereof Retail private	0.00 %	4,620	95.87 %
Thereof SME	0.00 %	3,052	99.39 %
Thereof Corporates	0.00 %	0	0.00 %
Thereof other	0.00 %	964	100.00 %
Assets held for trading - fixed-income securities	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Financial investments - fixed-income securities	0.00 %	0	0.00 %
At amortised cost	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Contingent liabilities	44.40 %	6,984	112.38 %
Credit risks	36.93 %	0	36.93 %
Total	**0.00 %**	**326,086**	**105.57 %**
Loans and receivables customers, contingent liabilities, credit risks	33.24 %	326,086	105.57 %
Liquid funds, loans and receivables credit institutions and customers	32.88 %	319,102	107.16 %

Euro thousand 31 Dec 2021	Loan volume - total	NPL	NPL Ratio	Risk provisions for NPL
Liquid funds	6,722,765	0	0.00 %	0
Loans and receivables credit institutions	256,590	0	0.00 %	0
At amortised cost	256,532	0	0.00 %	0
At fair value	58	0	0.00 %	0
Loans and receivables customers	21,836,493	473,935	2.17 %	167,483
At amortised cost	21,490,338	462,755	2.15 %	167,483
Thereof Retail private	8,481,745	110,523	1.30 %	47,232
Thereof SME	10,854,908	317,360	2.92 %	110,901
Thereof Corporates	622,956	8,965	1.44 %	2,014
Thereof other	1,530,730	25,907	1.69 %	7,336
At fair value	346,154	11,181	3.23 %	0
Thereof Retail private	203,785	6,204	3.04 %	0
Thereof SME	85,108	3,910	4.59 %	0
Thereof Corporates	962	0	0.00 %	0
Thereof other	56,300	1,066	1.89 %	0
Assets held for trading - fixed-income securities	486	0	0.00 %	0
At fair value	486	0	0.00 %	0
Financial investments - fixed-income securities	2,381,743	0	0.00 %	0
At amortised cost	2,297,529	0	0.00 %	0
At fair value	84,214	0	0.00 %	0
Contingent liabilities	764,832	8,876	1.16 %	4,321
Credit risks	3,396,504	9,310	0.27 %	3,341
Total	**35,359,413**	**492,122**	**1.39 %**	**175,146**
Loans and receivables customers, contingent liabilities, credit risks	25,997,829	492,122	1.89 %	175,146
Liquid funds, loans and receivables credit institutions and customers	28,815,848	473,935	1.64 %	167,483

	NPL coverage ratio (Loan loss allowance)	Collateral for NPL	NPL coverage ratio (Loan loss allowance + collateral)
Liquid funds	0.00 %	0	0.00 %
Loans and receivables credit institutions	0.00 %	0	0.00 %
At amortised cost	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Loans and receivables customers	35.34 %	337,438	106.54 %
At amortised cost	36.19 %	326,693	106.79 %
Thereof Retail private	42.74 %	76,353	111.82 %
Thereof SME	34.94 %	223,781	105.46 %
Thereof Corporates	22.47 %	5,592	84.84 %
Thereof other	28.32 %	20,968	109.25 %
At fair value	0.00 %	10,745	96.10 %
Thereof Retail private	0.00 %	6,098	98.29 %
Thereof SME	0.00 %	3,581	91.57 %
Thereof Corporates	0.00 %	0	0.00 %
Thereof other	0.00 %	1,066	100.00 %
Assets held for trading - fixed-income securities	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Financial investments - fixed-income securities	0.00 %	0	0.00 %
At amortised cost	0.00 %	0	0.00 %
At fair value	0.00 %	0	0.00 %
Contingent liabilities	48.68 %	6,161	118.10 %
Credit risks	35.89 %	0	35.89 %
Total	**0.00 %**	**343,600**	**105.41 %**
Loans and receivables customers, contingent liabilities, credit risks	35.59 %	343,600	105.41 %
Liquid funds, loans and receivables credit institutions and customers	35.34 %	337,438	106.54 %

The following table shows the development of NPL holdings in the business year:

Development NPL portfolio

Euro thousand	**Total**
NPL as at 01 Jan 2021	**488,708**
Classified as impaired during the year	199,017
Transferred to not-impaired during the year	-18,873
Account coverage and write offs - NPL	-135,140
Net repayments and other movements	-41,590
NPL as at 31 Dec 2021	**492,122**
Classified as impaired during the year	154,271
Transferred to not-impaired during the year	-32,180
Account coverage and write offs - NPL	-120,987
Net repayments and other movements	-42,349
NPL as at 31 Dec 2022	**450,877**

Development forbearance portfolio

Forbearance refers to contractual concessions made by the bank to the debtor in the context of financial difficulties or imminent financial difficulties of the debtor, which the lender would not grant otherwise. Debtors whose transactions are classified as forborne are subject to special monitoring regulations within the Association of Volksbanks.

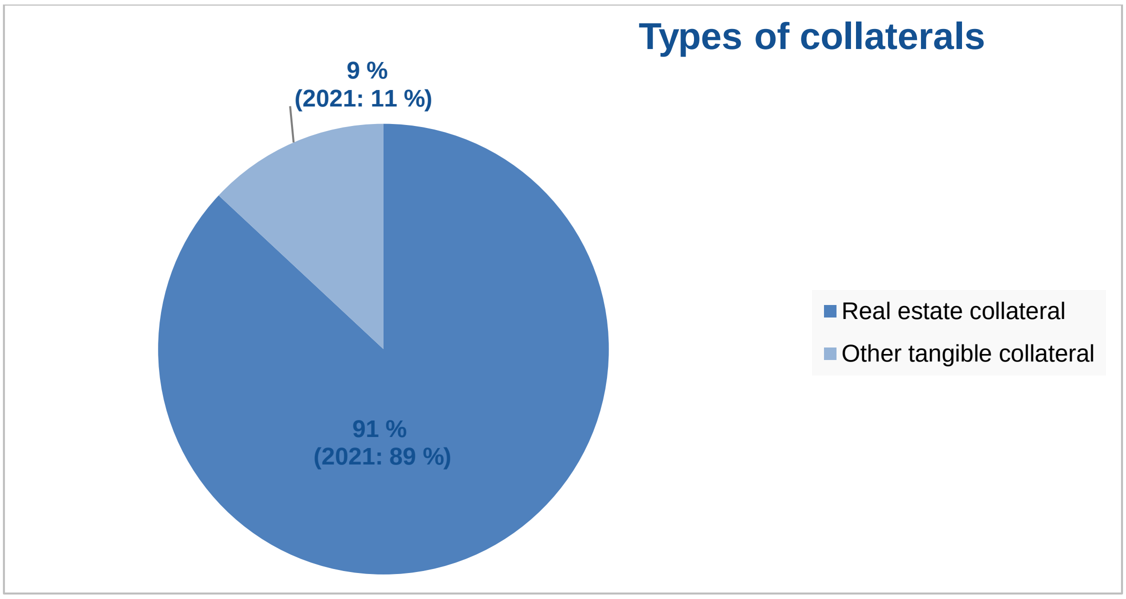
With respect to customer loans, forbearance was agreed for a total carrying amount of euro 791,768 thousand (2021: euro 1,048,838 thousand) for financial reasons. This amount relates to performing forborne credit exposures in the amount of euro 581,839 thousand (2021: euro 830,972 thousand) and non-performing forborne credit exposures in the amount of euro 209,929 thousand (2021: euro 217,865 thousand).

The increase in the forbearance portfolio due to crisis-related facilities granted in the course of the COVID-19 crisis was reduced again in 2022 following the expiry of forbearance flags from 2020.

Development of the collaterals portfolio

The following diagram and table show the development of the portfolio of collaterals, with real estate collaterals accounting for the major part within the Association. The values reported represent the credited value of the collaterals (after measurement and cap based on the amount of the receivable secured). Other collaterals include an imputed collateral value of euro 192,127 thousand (2021: euro 281,577 thousand) from guarantees from the government package of measures in the wake of the COVID-19-crisis.

In the 2022 business year, no significant changes to the principles – applicable across the Association – for the management of loan collaterals occurred.



Euro thousand 31 Dec 2022	Loan volume - total	Allowable collateral amount - total	Real estate collateral	Other tangible collateral	Loan loss allowances	Provisions	Loan volumen - total, deducted by collateral and risk provisions
Liquid funds	3,302,486	0	0	0	0	0	3,302,486
Loans and receivables credit institutions	123,049	69,786	0	69,786	11	0	53,252
At amortised cost	123,049	69,786	0	69,786	11	0	53,252
At fair value	0	0	0	0	0	0	0
Loans and receivables customers	22,530,304	20,002,075	18,289,663	1,712,412	275,003	0	2,253,225
At amortised cost	22,133,939	19,650,416	17,946,251	1,704,166	275,003	0	2,208,520
Thereof Retail private	8,728,572	8,143,007	7,752,040	390,967	58,740	0	526,826
Thereof SME	11,033,966	9,598,152	8,440,236	1,157,916	193,004	0	1,242,809
Thereof Corporates	577,075	358,046	277,374	80,672	5,249	0	213,781
Thereof other	1,794,326	1,551,212	1,476,600	74,612	18,010	0	225,104
At fair value	396,364	351,659	343,413	8,246	0	0	44,705
Thereof Retail private	155,663	140,876	134,391	6,486	0	0	14,787
Thereof SME	105,736	91,408	90,033	1,375	0	0	14,328
Thereof Corporates	4,280	4,012	3,833	179	0	0	268
Thereof other	130,685	115,362	115,155	207	0	0	15,323
Assets held for trading - fixed-income securities	544	0	0	0	0	0	544
At fair value	544	0	0	0	0	0	544
Financial investments - fixed-income securities	2,377,206	0	0	0	792	0	2,376,414
At amortised cost	2,293,548	0	0	0	792	0	2,292,756
At fair value	83,658	0	0	0	0	0	83,658
Contingent liabilities	702,944	314,826	220,195	94,631	0	10,846	377,273
Credit risks	3,458,162	0	0	0	0	13,478	3,444,684
Total	**32,494,695**	**20,386,687**	**18,509,858**	**1,876,829**	**275,806**	**24,324**	**11,807,878**

Euro thousand 31 Dec 2021	Loan volume - total	Allowable collateral amount - total	Real estate collateral	Other tan-gible collateral	Loan loss allowances	Provisions	Loan volumen - total, deducted by collateral and risk provisi-
Liquid funds	6,722,765	0	0	0	0	0	6,722,765
Loans and receivables credit institutions	256,590	185,030	0	185,030	23	0	71,537
At amortised cost	256,532	184,982	0	184,982	23	0	71,526
At fair value	58	48	0	48	0	0	11
Loans and receivables customers	21,836,493	19,130,729	17,176,799	1,953,930	273,365	0	2,432,398
At amortised cost	21,490,338	18,827,350	16,891,984	1,935,366	273,365	0	2,389,623
Thereof Retail private	8,481,745	7,810,744	7,357,414	453,330	64,571	0	606,430
Thereof SME	10,854,908	9,402,295	8,106,351	1,295,944	195,037	0	1,257,576
Thereof Corporates	622,956	397,668	268,236	129,432	2,605	0	222,684
Thereof other	1,530,730	1,216,643	1,159,984	56,660	11,153	0	302,934
At fair value	346,154	303,379	284,815	18,564	0	0	42,775
Thereof Retail private	203,785	179,745	167,430	12,314	0	0	24,040
Thereof SME	85,108	74,680	70,188	4,492	0	0	10,429
Thereof Corporates	962	961	961	0	0	0	0
Thereof other	56,300	47,993	46,235	1,758	0	0	8,307
Assets held for trading - fixed-income securities	486	0	0	0	0	0	486
At fair value	486	0	0	0	0	0	486
Financial investments - fixed-income securities	2,381,743	0	0	0	336	0	2,381,407
At amortised cost	2,297,529	0	0	0	336	0	2,297,193
At fair value	84,214	0	0	0	0	0	84,214
Contingent liabilities	764,832	324,102	236,614	87,488	0	10,926	429,805
Credit risks	3,396,504	0	0	0	0	8,989	3,387,515
Total	**35,359,413**	**19,639,861**	**17,413,413**	**2,226,448**	**273,724**	**19,915**	**15,425,913**

Acquisition of real estate collaterals

Within the Association, real estate collaterals were only acquired in individual instances. Currently, this instrument is not applied any longer, existing assets will be disposed of in full.

Development of the netting positions

The following tables show the netting positions within the portfolio of the Association:

Euro thousand
31 Dec 2022

Derivatives	**Assets**	**Liabilities**	**Net values**
Banking book	272,978	-253,583	19,395
Trading book	25,048	-38,123	-13,075
Cash collaterals	**Pledged**	**Received**	**Net values**
Banking book	298,026	-291,706	6,320
Total			**12,640**

31 Dec 2021

Derivatives	**Assets**	**Liabilities**	**Net values**
Banking book	75,564	-232,581	-157,017
Trading book	38,206	-87,322	-49,115
Cash collaterals	**Pledged**	**Received**	**Net values**
Banking book	246,937	-26,956	219,982
Total			**13,849**

c) Market risk

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

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

Interest rate risk in the banking book

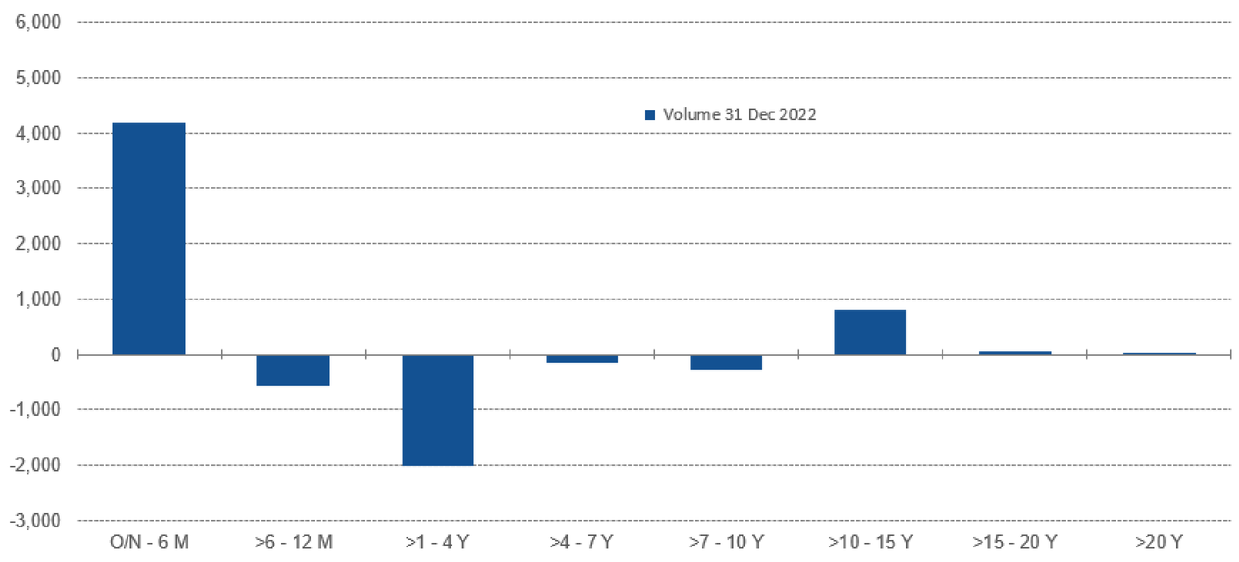
Interest rate risks emerge primarily through term transformation, which arises from deviations of interest rate periods between assets and liabilities. VBW pursues a strategy of positive term transformation, which represents a source of income in the form of the structural contribution within net interest income, as the fixed interest period of the assets is longer on average and hence the interest rate is higher than that of the liabilities. The interest position results from retail banking, in which assets with longer interest rate periods were built up through fixed-interest loans. The strategy is aimed at gradually developing a rolling fixed-interest position over several years.

The interest rate risk in the banking book comprises all interest-bearing transactions reported and not reported in the balance sheet (except for transactions in the trading book), as well as interest-sensitive assets and liabilities (participations and provisions). The interest rate risk position associated with the retail business of the Association of Volksbanks mainly arises from index-linked loans and loans with fixed interest rates, from non-maturing deposits in the form of sight and savings deposits, as well as from implicit floors, in both the assets side and the liabilities side retail business. Other decisive factors are bond positions of the bank's own portfolio, own issues and the interest-rate swaps used to manage the interest rate position. Layer hedges for fixed-interest loan portfolios and cash flow hedges for index-linked loan portfolios may be used for hedging under IFRS and the Austrian Business Code (UGB). Micro hedges for securities positions, issues and individual loans can also be used. Retail business without fixed interest rates is included in interest rate risk modelling by way of replication assumptions, in order to show price sensitivity to interest rate changes (e.g. for sight/savings deposits, current account overdrafts, loans “until further notice” etc.). A distinction is made between present-value interest rate risk and net interest income risk (NII risk).

In line with its strategy, the Association of Volksbanks has a positive, albeit declining, interest rate term transformation in 2022 - measured using the present value risk coefficients or PVBP. In 2022, the EBA coefficient was well below the reportable threshold of 15 %, while the OeNB coefficient was well below the regulatory outlier definition of 20 %. A major cause of the previous decline in present-value risk in 2022 is the sharp rise in interest rates, which has led to a decline in risk in embedded interest rate floors and convexity effects in the valuation. Volatility during the year mainly arose from the usual effects of payment transactions and fixing.

Net interest income risk is measured by comparing the interest income at a constant interest rate level with the interest income in a stressed scenario. Unlike present-value interest rate risk, it consists in falling interest rates, especially short-term interest rates, as assets adjust more quickly to changes in interest rates than liabilities. This is mainly due to the fact that a large proportion of assets continues to be index-linked, and interest rate adjustments for customer deposits are comparatively sluggish. The net interest income risk, measured with a 200 bp interest rate reduction, has increased in 2022, mainly because the interest rate level has risen and thus the decline in interest income in the event of falling interest rates is higher. It amounted to euro 151 million as at 31 December 2022.

Interest rate gap of the Association of Volksbanks as at 31 Dec 2022



A distinguishing feature of the interest rate gap is the net asset position in the maturity band up to 6 months, which mainly arises through the index-linked loan portfolio. In the long-term range of more than 10 years, net asset positions result from fixed-interest loans. In the maturity bands up to 10 years, the interest rate replicates of customer deposits result in a net liability position.

The Asset Liability Committee (ALCO) of the CO is responsible for controlling the interest rate position of the Association of Volksbanks within the scope of risk limits defined by Risk Control and approved by the Managing Board via the risk strategy. The ALCO is convened monthly at the CO or ad hoc as required. The Asset Liability Management (ALM) function of the CO, which belongs to the Treasury function in organisational terms, is responsible for the management of the ALCO. Proposed measures to control the interest rate position are worked out by ALM in co-operation with Risk Control and the local ALCOs of the affiliated banks. Interest rate risk reporting within the ALCO is taken care of by the Market and Liquidity Risk department of the CO. Interest rate risk is controlled both under a present-value perspective and under a periodic/income statement perspective. In doing so, implicit floors in retail banking are also taken into account in both perspectives, as said floors constitute material risk drivers and contribute to net interest income, considering the currently low interest rate level.

Present-value risk measurement and limitation are mainly effected on the basis of regulatory interest rate scenarios (6 EBA scenarios), interest rate sensitivity in the form of a PVBP, interest rate gaps (net position of the fixed interest rates per maturity band), and an interest rate book VaR based on historical simulations. Period-based interest income risk measurement is implemented in the form of a net interest income simulation. In the process, the effects on net interest income of the next 12 months are calculated for the scenarios defined under applicable regulatory provisions (2 EBA scenarios). The results of the net interest income simulation and the interest rate book VaR are taken into account in the ICAAP within the scope of the risk-bearing capacity calculation.

Concentration risk

No concentration risks exist within interest rate risk.

Credit spread risk

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

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

Risk measurement is mainly effected via credit spread VaR and the sensitivity to any increase in credit spreads by 100 bp. The calculation of the credit spread VaR is based on a historical simulation for a 99.9 % confidence level. In the process, the portfolio is divided into 21 risk clusters, depending on credit rating, branch of industry, type of product and seniority. The VaR is included in the ICAAP as part of the risk-bearing capacity calculation. Reporting takes place monthly within the ALCO and is part of the aggregate bank risk report.

The major part of the portfolio is allocated to the AC category (amortised cost) under IFRS 9. Therefore, the credit spread risk that affects the income statement and the OCI is low.

The following risk indicators are derived for the Association:

	100 basis points-shift			
Euro thousand 31 Dec 2022	**At amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Total**
Section 30a of the Austrian Banking Act-Association of credit institutions	-116,035	-3,363	-120	-119,518
31 Dec 2021				
Section 30a of the Austrian Banking Act-Association of credit institutions	-138,583	-2,986	-182	-141,750

Concentration risk

Concentration risks within credit spread risk can arise at the level of issuers or risk clusters in case of similar issuers. These risk clusters are reported in the ALCO. As at 31 December 2022, the biggest concentrations currently exist in the covered bonds risk cluster and in the Republic of Austria risk cluster. Concentrations with individual issuers are limited by the issuer lines within credit risk.

Portfolio distribution by credit rating

Euro thousand	31 Dec 2022	31 Dec 2021
Risk category 1 (1A - 1E)	2,137,624	2,056,542
Risk category 2 (2A - 2E)	216,250	303,241
Risk category 3 (3A - 3E)	0	1
Risk category 4 (4A - 4E)	1	0
Risk category 5 (5A - 5E)	0	0
Risk category 6 (NR)	0	0
Total	**2,353,876**	**2,359,784**

A-Depot Risk Cluster

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total
31 Dec 2022	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**
Covered EUR AAA	1,227,982	46,395	0	1,274,377
Sovereigns Austria	467,837	23,614	0	491,451
Sovereigns France	93,805	0	0	93,805
Other sovereigns EUR AAA	50,432	9,646	0	60,078
Sovereigns Germany	51,574	0	0	51,574
Sovereigns Belgium	49,843	0	0	49,843
Sovereigns Slovakia	47,873	0	0	47,873
Sovereigns Portugal	43,149	0	0	43,149
Sovereigns Spain	37,366	0	0	37,366
Corporates EUR BBB	33,895	200	1	34,096
Carrying amount < EUR 40,000 thousand	166,635	708	2,922	170,264
Total	**2,270,389**	**80,563**	**2,923**	**2,353,876**
31 Dec 2021				
Covered EUR AAA	1,064,867	32,516	0	1,097,383
Sovereigns Austria	573,023	27,525	0	600,548
Sovereigns Poland	67,793	0	0	67,793
Other sovereigns EUR AA	66,870	0	0	66,870
Sovereigns France	66,608	0	0	66,608
Sovereigns Belgium	63,072	0	0	63,072
Sovereigns Portugal	56,994	0	0	56,994
Sovereigns Spain	53,483	0	0	53,483
Sovereigns Germany	48,440	0	0	48,440
Sovereigns Slovakia	45,598	0	0	45,598
Carrying amount < EUR 40,000 thousand	168,921	20,879	3,197	192,997
Total	**2,275,668**	**80,920**	**3,197**	**2,359,784**

Portfolio structure according to IFRS 9 categories

Euro thousand 31 Dec 2022	Bond	Syndicated loan & SSD	Fund & Equity	Total
Amortised cost	2,270,389	0	0	2,270,389
Fair value through OCI	80,563	0	0	80,563
Fair value through profit or loss	2,923	0	0	2,923
Total	**2,353,876**	**0**	**0**	**2,353,876**
31 Dec 2021				
Amortised cost	2,275,668	0	0	2,275,668
Fair value through OCI	80,920	0	0	80,920
Fair value through profit or loss	3,197	0	0	3,197
Total	**2,359,784**	**0**	**0**	**2,359,784**

Market risk in the trading book

The market risk in the trading book of the Association of Volksbanks is of subordinate importance. The trading book is kept centrally at the CO, the affiliated banks do not keep a trading book. The main function of the trading book is that of a transformer, where smaller batches from retail banking are collected and dynamically hedged in the market. Additionally, Treasury takes market risks within the scope of the limits approved, in order to produce corresponding income. The trading book volume is permanently below the regulatory threshold of euro 500 million (Art. 325a CRR).

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

The trading book risk within the Association of Volksbanks is relatively low and mainly arises from euro interest rate positions.

The following table shows interest, interest volatility and credit spread sensitivity in the trading book:

Euro thousand	Interest +1 basis point	Interest volatility +1 %	Credit spread +1 basis point
31 Dec 2022			
Trading book	-3	-9	0
31 Dec 2021			
Trading book	5	-9	0

Foreign exchange risk (open FX positions)

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

The following table shows the FX sensitivity per currency (open FX positions):

Currency Euro thousand	31 Dec 2022	31 Dec 2021
CHF	310	-655
USD	170	-110
GBP	43	19
CZK	22	81
JPY	1	25
Others	1,441	1,749
Total	**1,987**	**1,110**

Other valuation risks (IFRS fair value change)

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

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

The following table shows the sensitivities of loans and receivables measured at fair value through profit or loss:

Euro thousand 31 Dec 2022	Market liquidity costs +10 basis points	Interest rate +10 basis points
Fair value through profit or loss - loans and receivables	-1,103	-235
31 Dec 2021		
Fair value through profit or loss - loans and receivables	-1,490	-414

d) Liquidity risk

The most important source of refinancing of the Association of Volksbanks consists of customer deposits, which have proven to be a stable source of funding in the past. Naturally, this creates the major part of the liquidity risk. The stability of customer deposits has become apparent again during the coronavirus crisis in 2020/2021, with the portfolio actually growing during that period.

The capital market offers opportunities for refinancing through securities issues, mainly covered bonds, to VBW, as CO of the Association. The dependence of the Association on capital market funding remains low, below 10 % of total assets. VBW is the only institution in the Association that has access to the ECB/OeNB and can therefore also refinance itself via central bank funds.

Both short-term operational liquidity management and medium- to long-term liquidity management are performed in a centralised manner at VBW for the Association. The affiliated banks cover their refinancing requirements and invest their excess liquidity via VBW. The monitoring and limitation of liquidity risk across the Association, as well as the methodological requirements regarding risk measurement are taken care of by the Market and Liquidity Risk Control department at VBW.

In liquidity risk, a distinction is made between illiquidity risk and funding risk. Illiquidity risk is the risk to be unable to settle payment obligations when they are due. For the Association, which consists of retail banks, illiquidity risk typically consists in the risk of a bank run. This occurs when, due to a loss of confidence, customers withdraw large deposit volumes and at the same time alternative funding sources are not accessible. Illiquidity risk is managed by holding a sufficient liquidity buffer. VBW is responsible for the central management of the liquidity buffer for the whole of the Association of Volksbanks. The liquidity buffer mainly consists of highly liquid bonds that are LCR-eligible for the major part, of deposits with the national bank, of ECB tender potential, and covered bond issue potential. The liquidity of the liquidity buffer is tested regularly. Within the Association of Volksbanks, funding risk is defined as a negative income statement effect that occurs due to potential future increases of refinancing costs on the money and capital markets as well as in the retail sphere. This risk is taken into account in the risk-bearing capacity calculation within the scope of the ICAAP. Due to the funding structure within the Association of Volksbanks, this risk is relatively low, as the company is hardly dependent on the capital market, and little price sensitivity is observed in the sphere of customer deposits.

The risk measurement and limitation of illiquidity risk is effected through the regulatory indicators LCR and NSFR, the survival period from internal liquidity stress testing, and through additional operational indicators. The LCR aims to ensure the short-term financial solvency of banks under stressed conditions over a short-term horizon of 30 calendar days. The NSFR limits the liquidity term transformation by determining a minimum of stable refinancing, depending on the liquidity characteristics of the assets and other (off-balance sheet) operations of a bank. The survival period is the period during which, under a given stress scenario, the liquidity buffer held is sufficient to cover cumulated net liquidity outflows. Currently, stress scenarios of varying degrees of severity are calculated. The scenario assumptions include a crisis of the Volksbank sector, a national banking crisis and pan-European stressed market conditions. The least favourable of the scenarios calculated is applied to the survival period. The ratios are calculated on a monthly basis and, additionally, the LCR and the operating indicators on a weekly basis. The funding risk is measured by way of a scenario analysis that takes into account the effect on funding costs, considering general planning uncertainties and adverse idiosyncratic conditions. These calculations provide input to the ICAAP as well as to the stress testing activities across the Association.

The ALCO respectively Traesury is responsible for controlling the liquidity position of the Association of Volksbanks within the scope of risk limits defined by Risk Control and approved by the Managing Board within ALCO. The ALCO of the CO is the central body for the management of liquidity risks. Liquidity risk reporting within ALCO is taken care of by the Market and Liquidity Risk Control department.

Regulatory liquidity ratios LCR, NSFR and survival period in 2022:

The persistently good liquidity position manifests itself in an LCR of 165 % as at 31 December 2022 (2021: 224 %). The NSFR of 135 % as at 31 December 2022 (2021: 138 %) also shows a solid liquidity structure in the long term. In 2022, both indicators were always clearly above the internally defined triggers/limits. The decrease in the LCR in 2022 resulted mainly from a continuous slight outflow of deposits, the partial repayment of the TLTRO in November, and fair value losses in the liquidity buffer due to higher interest rates. The NSFR ranged between 130 % and 140 % in 2022. In 2022, the survival period consistently exceeded 150 days, and was thus also clearly above internal limits.

Concentration risk

Due to diversified funding through customer deposits, concentration risk is not material. Risk clusters might occur at customer level. Accordingly, the largest deposits at customer level are monitored both in Risk Control and also within operational liquidity management. Generally, they amount to less than 1 % of total assets. There are only a few temporary exceptions with a few large customers for payment transactions or balancing out liquidity peaks. These deposits are regularly monitored and reported on within the scope of liquidity risk management.

Operational liquidity management

The Liquidity Management department in the Treasury division is responsible, among others, for operational liquidity management. The department is the central unit at the Association of Volksbanks for matters regarding the pricing of liquidity (transfer pricing), the central management of collaterals across the Association, the determination of the funding structure, the disposition of available liquid funds, and compliance with the refinancing strategy. It takes care of the following essential duties:

- Cash management (settlement of all transactions of the Association as well as disposition of the banking connections maintained by VBW)
- Collateral management: ECB-eligible collaterals of the Association (bonds and credit claims)
- Planning of issuance activities
- Daily liquidity forecast for the following 31 days, and weekly for the following 12 months
- Monitoring of refinancing positions of the Association of Volksbanks, and the control system put into effect by VBW as CO with the approval under section 30a Austrian Banking Act, for the affiliated banks – a.o. liquidity reports, refinancing management, utilisation of collaterals, early warning system
- Compliance with minimum reserve regulations for the Association of Volksbanks
- Reporting to the CO Managing Board and to the ALCO
- Daily liquidity reporting of affiliated banks and ALCO reports
- Monitoring of Asset Encumbrance Ratio

e) Operational risk

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

Organisation

Within the Association of Volksbanks, line management is responsible for the management of operational risks (OpRisk Management). It is supported in this function by centrally and decentrally based experts from the area of operational risk and internal control system. The aim is to optimise processes in order to reduce the probability of the occurrence of operational risks and/or to reduce the effect of operational losses. Cooperation across departments (with Compliance, Internal Audit, as well as Security & Outsourcing Governance, in particular) allows for optimal and comprehensive control of operational risks.

Methods for the management of operational risks

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

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

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

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

Internal control system

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

f) Other risks

In terms of other risks, the Association of Volksbanks is confronted with strategic, equity, direct real estate, as well as earnings and cost risk, and ESG risks.

Strategic risk is the risk of negative effects on capital and earnings due to business policy decisions or insufficient adjustment to changes of the economic environment.

The Association of Volksbanks defines equity risk as the risk of an instable composition of internal equity in relation to the bank's type and size, or difficulties in quickly raising additional internal capital if needed.

The direct real estate risk describes the risk of negative value changes in the real estate portfolio (real estate in the company’s own balance sheet or in the balance sheet of any subsidiary).

The earnings and cost risk is the risk arising from the volatility of earnings and hence the risk of no longer being able to (fully) cover fixed costs.

Conduct risks, compliance risks, legal risks, model risks, as well as IT and system risks, outsourcing risks are taken into account, among others, in the compliance framework, in the framework for operational risks, and in the outsourcing framework.

ESG risks refer to events or conditions affecting the climate, the environment, social affairs or corporate governance, the occurrence of which could have an actual or potential negative impact on the value of assets or on the net assets, financial position and earnings situation, as well as the reputation of the Association of Volksbanks.

Other risks are primarily managed via organisational and process-based measures. ESG risks are mapped within existing risk categories.

51) Fully consolidated companies[1)]

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
3V-Immobilien Errichtungs-GmbH; Wien	HD	100.00 %	100.00 %	35
BBG Beratungs- und Beteiligungsgesellschaft m.b.H.; Salzburg	HD	100.00 %	100.00 %	40
Domus IC Leasinggesellschaft m.b.H.; Salzburg	HD	100.00 %	100.00 %	18
Gärtnerbank Immobilien GmbH; Wien	HD	100.00 %	100.00 %	35
GB IMMOBILIEN Verwaltungs- und Verwertungs- GmbH; Wien	HD	100.00 %	100.00 %	35
VB Aktivmanagement GmbH; Klagenfurt	HO	100.00 %	100.00 %	35
VB Buchführung GmbH; Klagenfurt	HD	100.00 %	100.00 %	36
VB Infrastruktur und Immobilien GmbH; Wien	HD	100.00 %	100.00 %	35
VB Kärnten Leasing GmbH; Klagenfurt	FI	100.00 %	100.00 %	634
VB Rückzahlungsgesellschaft mbH; Wien	HO	100.00 %	100.00 %	35
VB Services für Banken Ges.m.b.H.; Wien	HD	100.00 %	100.00 %	327
VB-Immobilienverwaltungs- und -vermittlungs GmbH; Klagenfurt	HD	100.00 %	100.00 %	73
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	HD	99.00 %	99.00 %	36
Volksbank Salzburg Leasing Gesellschaft m.b.H.; Salzburg	FI	100.00 %	100.00 %	73
Volksbank Vorarlberg Leasing GmbH; Rankweil	FI	100.00 %	100.00 %	37
Volksbank Vorarlberg Marketing- und Beteiligungs GmbH; Rankweil	HD	100.00 %	100.00 %	36
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.; Wien	FI	100.00 %	100.00 %	35

[1)] All fully consolidated companies are under control.

52) Companies measured at equity

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
VB Verbund-Beteiligung eG; Wien	HO	77.81 %	77.81 %	51,788
VBW eins Beteiligung eG; Wien	HO	77.54 %	77.54 %	14,310

53) Companies included

Company names and headquarters	Type*	Nominal capital in euro thousand
Österreichische Ärzte- und Apothekerbank AG; Wien	KI	20,723
Volksbank Kärnten eG; Klagenfurt	KI	33,255
Volksbank Niederösterreich AG; St. Pölten	KI	27,203
Volksbank Oberösterreich AG; Wels	KI	21,596
Volksbank Salzburg eG; Salzburg	KI	13,376
Volksbank Steiermark AG; Graz	KI	69,504
Volksbank Tirol AG; Innsbruck	KI	20,430
VOLKSBANK VORARLBERG e. Gen.; Rankweil	KI	1,778
VOLKSBANK WIEN AG; Wien	KI	137,547

54) Unconsolidated affiliated companies

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
"VB-Real" Projektentwicklungs Gesellschaft m.b.H.; Wels	HD	100.00 %	100.00 %	500
ARZ-Volksbanken Holding GmbH; Wien	HO	99.64 %	99.64 %	256
Immobilien Besitz- und Verwertungsgesellschaft mbH; Judenburg	HD	100.00 %	100.00 %	35
Meinhardgarage Gesellschaft m.b.H.; Innsbruck	SO	100.00 %	100.00 %	50
Meinhardgarage Gesellschaft m.b.H. & Co. KG; Innsbruck	SO	100.00 %	100.00 %	210
Nordfinanz Vermögensberatung GmbH; Heidenreichstein	SO	99.99 %	99.99 %	150
REALCONSTANT Liegenschaftsverwertungs-Ges.m.b.H.; St. Pölten	SO	99.90 %	99.90 %	73
Resort Errichtungs- und Betriebsges.m.b.H.; Heidenreichstein	SO	99.76 %	99.76 %	42
UVB-Holding GmbH; Wien	SO	100.00 %	100.00 %	35
VB - REAL Volksbank NÖ GmbH; Krems an der Donau	SO	100.00 %	100.00 %	727
VB ManagementBeratung GmbH; Wien	SO	100.00 %	100.00 %	36
VB Realitäten Gesellschaft m.b.H.; Klagenfurt am Wörthersee	SO	100.00 %	100.00 %	36
VBKA-Holding GmbH; Wien	SO	100.00 %	100.00 %	35
VBKS Leasing d.o.o.; Kranj	HD	100.00 %	100.00 %	542
Volksbank Salzburg Immobilien GmbH; Salzburg	SO	100.00 %	100.00 %	35
Volksbank Tirol Versicherungsservice GmbH; Innsbruck	SO	100.00 %	100.00 %	50
Volksbank Vorarlberg Immobilien GmbH & Co OG; Dornbirn	SO	100.00 %	100.00 %	109
VVB Liegenschaftsvermietungsgesellschaft mbH & Co KG; Rankweil	HD	100.00 %	100.00 %	10
Wohn + Wert Realitäten GmbH; Graz	HD	100.00 %	100.00 %	100

*Abbreviations type

KI	credit institution
FI	financial institution
HD	ancillary banking service
SO, SH, HO	other enterprise

Vienna, 8 March 2023

Gerald Fleischmann
Chairman of the Managing Board

Rainer Borns
Deputy Chairman of the Managing Board

Thomas Uher
Deputy Chairman of the Managing Board

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BANKING ASSOCIATION

Audit Opinion

We have audited the Consolidated Financial Statements of the Banking Association according to section 30a of the Austrian Banking Act ("Consolidated Financial Statements of the Banking Association") of

VOLKSBANK WIEN AG,
Vienna,

as the central organization and the assigned member credit institutions ("Banking Association"), which comprise the Banking Association´s consolidated Statement of Financial Position as at 31 December 2022, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the year then ended, and the Notes to the consolidated Financial Statements.

In our opinion, the consolidated financial statements of the Banking Association present fairly, in all material respects, the consolidated financial position of the Banking Association as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the accounting and valuation principles described in the Framework of Rules for the preparation of consolidated financial statements of the Banking Association 2022.

Basis for our Opinion

We conducted our audit in accordance with the Austrian Standards on Auditing which require the audit to be conducted in accordance with International Standards on Auditing (ISAs) and voluntarily in accordance with ISA 701. Our responsibilities under those standards are further described in the "Banking Association's Auditor´s Responsibilities" section of our report. The Regulation (EU) No 537/2014 on specific requirements for the audit for public interest entities is not applicable to the audit of the consolidated financial statements of the Banking Association. We are independent of the audited Banking Association in accordance with Austrian company law, banking law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Emphasis of matter

We would emphasize in particular,

- that the consolidated financial statements of the Banking Association were prepared in accordance with the Framework of Rules for the preparation of consolidated financial statements of the Banking Association 2022 Note 1 in the Notes and
- their only purpose is to assist VOLKSBANK WIEN AG to meet the regulatory requirements and they shall not be used for any other purpose.

Our opinion is not modified in respect of these matters.

Key Audit Matters

According to ISA 701 key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Banking Association. These matters were addressed on a voluntary basis in the context of our audit of the consolidated financial statements of the Banking Association as a whole, however, we do not provide a separate opinion thereon.

AUDITOR'S REPORT

Valuation of receivables from customers at amortised cost

Risk for the consolidated financial statements

Receivables from customers at amortised cost ("receivables from customers") amount to EUR 22,133.9 million in the consolidated statement of financial position of the Banking Association. The Managing Board of VOLKSBANK WIEN AG describes the approach to determine loan loss provisions in Notes 3o, 3p and 50b of the Notes to the consolidated financial statements of the Banking Association.

As part of monitoring receivables from customers, it is evaluated whether loan loss provisions need to be recognized. This includes evaluating whether customers are able to meet the contractual repayment obligation in full.

The calculation of loan loss provisions for individually significant defaulted receivables from customers is based on an analysis of the expected and scenario weighted future repayments. This analysis is subject to the assessment of the economic condition and performance of the respective customer, the evaluation of collateral and an estimate of the amount and timing of the repayments derived therefrom.

For defaulted receivables from customers not individually significant, the calculation of the loan loss provisions is based on statistically determined common risk attributes. These loan loss provisions are calculated based on the default stage and the exisiting collateral using statistical loss given default. Loss given default is derived from internally calculated and externally obtained default information.

For non-defaulted receivables from customers, a loan loss provision for the expected credit loss ("ECL") in accordance with IFRS 9 is recognized as well. The provision is calculated in accordance with the method used in the consolidated financial statements of the Banking Association in accordance wth IFRS 9. Determining the ECL requires estimation and assumumptions. These comprise rating-based probabilities of default and loss given default, which take information about current conditions and forecasts of future economic conditions as well as transfers between levels into account. In order to adequately take the current volatile economic conditions characterized by high inflation and significantly increased interest rate levelsinto account, the ECL model described in the notes as adjusted in 2022.

This results in the risk for the consolidated financial statements of the Banking Association that after considering above named factors, such as the transfer between stages, the calculation of loan loss provisions is subject to significant estimation and assumptions, resulting in room for discretion as well as estimation uncertainty in respect of the amount of the loan loss provisions.

Our response

In testing the recoverability of receivables from customers we performed the following significant procedures:

- We analysed the process documentation and internal guidelines regarding the monitoring and recognition of loan loss provisions and evaluated whether they are suitable to identify events of default and to adequately determine the recoverability of these receivables from customers. We compiled the relevant key controls, assessed their design and implementation, and tested their effectiveness on a sample basis.
- On a sample basis selected from different portfolios, we evaluated whether evidence of credit default exists. Sampling was performed risk-oriented, subject to special consideration of rating levels and industries with increased default risk.
- In case of default of individually significant receivables from customers, the underlying assumptions were tested for conclusiveness, consistency as well as timing and amount of the expected repayments.
- For receivables from customers individually not significant and non-defaulted for which the loan loss provisions are calculated statistically, we analysed the documentation of the applied method for consistency with the requirements of IFRS 9. Additionally, we evaluated, based on the internal validation, the models and parameters used therein as to whether they are suitable to determine the loan loss provisions in adequate amounts. In particular, we assessed the effects of current volatile economic conditions on the method used to determine the default probabilities. Furthermore, we analysed the selection and measurement of estimates and scenarios concerning the future and verified their use in the estimation of parameters. We evaluated the derivation and rationale of the model adjustment made in 2022, which is described in the notes, as well as the underlying assumptions regarding their appropriateness.
- We tested the mathematical accuracy of the loan loss provisions by means of a simplified recalculation of the portfolio loan loss provisions for levels 1 to 3 (not significant) exposures. We performed these procedures in cooperation with our financial mathematicians as specialists.

AUDITOR’S REPORT

Recognition of deferred tax assets on tax loss carryforwards

Risk for the consolidated financial statements

The deferred tax assets on tax loss carryforwards based on future expected taxable income amounting to EUR 35.4 million in the consolidated statement of financial position of the Banking Association. The Managing Board of VOLKSBANK WIEN AG describes the approach to recognize deferred tax assets in Notes 3v and 22 of the Notes to the consolidated financial statements of the Banking Association.

Recognition of deferred tax assets on tax loss carryforwards highly depends on estimates made by the Managing Board in respect of the future availability of sufficient taxable profit and the reversal of deferred tax liabilities. The assessment of the realisation of tax loss carryforwards, mainly in VOLKSBANK WIEN AG, is based on forecasts and is subject to uncertainties and therefore represents a risk to the consolidated financial statements of the Banking Association.

Our response

- We assessed the appropriateness of the assumptions made by using externally available data, such as macroeconomic forecasts, and the past results in respect of their planning accuracy. For these procedures, we consulted our valuation specialists.
- Furthermore, we evaluated the assumptions underlying the forecast of future taxable profit on which deferred tax assets are expected to be realised, for traceability and plausibility. For this purpose, we compared the key input parameters for the forecast of future taxable profit with budgets and internally prepared tax calculations.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report (Banking Association's report), other than the consolidated financial statements of the Banking Association, the Banking Association´s management report and the auditor’s report. We expect the annual report (Banking Association´s report) to be provided to us after the date of the auditor’s report.

Our opinion on the consolidated financial statements of the Banking Association does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements of the Banking Association or any apparent material misstatement of fact.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements of the Banking Association

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Banking Association in accordance with the Framework of Rules for the preparation of the consolidated financial statements of the Banking Association 2022 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Banking Association that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Banking Association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the members of the Banking Association or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Banking Association’s financial reporting process.

AUDITOR'S REPORT

Banking Association´s Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Banking Association as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements of the Banking Association.

As part of an audit in accordance with the Austrian Standards on Auditing, which require the audit to be conducted in accordance with ISAs, and voluntarily in accordance with ISA 701, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:
- We identify and assess the risks of material misstatement in the consolidated financial statements of the Banking Association, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Banking Association's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banking Association's ability to continue for the central organization and the assigned member credit institutions as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements of the Banking Association. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Banking Association to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements of the Banking Association, including the notes, and whether the consolidated financial statements of the Banking Association represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Banking Association to express an opinion on the consolidated financial statements of the Banking Association. We are responsible for the direction, supervision and performance of the audit of the Banking Association. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the Banking Association i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

AUDITOR'S REPORT

Report on Other Legal Requirements

Banking Association´s Management Report

In accordance with Austrian company law, the Banking Association´s management report is to be audited as to whether it is consistent with the consolidated financial statements of the Banking Association and prepared in accordance with legal requirements.

Management is responsible for the preparation of the Banking Association´s management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of Banking Association´s management reports.

Opinion

In our opinion, the Banking Association´s management report is consistent with the consolidated financial statements of the Banking Association and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements of the Banking Association and our understanding of the Banking Association and its environment, we did not note any material misstatements in the Banking Association´s management report.

Engagement Partner

The engagement partner of the audit of the consolidated financial statements of the Banking Association is Mr Walter Reiffenstuhl.

Restriction of use

Our report may not be used for any other purpose than to comply with regulatory requirements. Therefore we shall not be liable for any third party claims.

This report or parts of it may not be made available to any third party without our explicit consent.

Vienna, 8 March 2023

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Walter Reiffenstuhl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

TERMINOLOGY AND IMPRINT

TERMINOLOGY

Association of credit institutions under section 30a of the Austrian Banking Act (BWG)

The association of credit institutions comprises the affiliated credit institutions and VOLKSBANK WIEN AG as the central organisation.

Affiliated credit institutions

The affiliated credit institutions include seven regional Volksbanks[1)] as well as Österreichische Ärzte- und Apothekerbank.

VOLKSBANK WIEN AG[1)]

is one of the regional Volksbanks and also acts as the central organisation of the Association of Volksbanks.

Austrian Cooperative Association

Within the Association of Volksbanks, auditing and the representation of interests are effected by Österreichischer Genossenschaftsverband (Schulze-Delitzsch) (Austrian Cooperative Association) – ÖGV for short. Moreover, pursuant to the BWG, the ÖGV is responsible for the early warning process for its members, ever since the beginning of 2019 together the Austrian deposit guarantee scheme (Einlagensicherung Austria).

1) VOLKSBANK WIEN AG is a regional Volksbank, but due to its function as central organisation of the Association it does not count among the affiliated credit institutions.

IMPRINT

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The Association of Volksbanks is committed to diversity and the equality of all genders. For reasons of readability, male, female and diverse word forms are not used simultaneously. All words designating persons refer to all genders in equal measure.