VOLKSBANK

ANNUAL REPORT

ASSOCIATION OF VOLKSBANKS

2023

KEY FIGURES OF THE ASSOCIATION OF VOLKSBANKS

Euro million	31 Dec 2023	31 Dec 2022	31 Dec 2021
Balance sheet			
Total assets	**30,482**	**29,224**	**32,095**
Loans and receivables customers	**22,738**	**22,116**	**21,563**
Amounts owed to customers	**22,180**	**22,105**	**22,747**
Debts evidenced by certificates	**3,281**	**1,682**	**1,877**
Subordinated liabilities	**450**	**454**	**494**
Own funds			
Common equity tier 1 capital (CET1)	2,332	2,025	1,978
Additional tier 1 capital (AT1)	220	220	220
Tier 1 capital (T1)	**2,552**	**2,245**	**2,198**
Tier 2 capital (T2)	319	409	460
Own funds	**2,872**	**2,654**	**2,658**
Risk weighted exposure amount credit risk	13,762	12,915	12,496
Total risk exposure amount market risk	28	21	27
Total risk exposure amount operational risk	1,420	1,269	1,231
Total risk for credit valuation adjustment	9	13	9
Total risk exposure amount	**15,218**	**14,218**	**13,763**
Common equity tier 1 capital ratio	**15.3 %**	**14.2 %**	**14.4 %**
Tier 1 capital ratio	**16.8 %**	**15.8 %**	**16.0 %**
Equity ratio	**18.9 %**	**18.7 %**	**19.3 %**
Income statement	**1-12/2023**	**1-12/2022**	**1-12/2021**
Net interest income	705.1	467.6	405.9
Risk provision	-65.0	-31.3	89.4
Net fee and commission income	262.4	255.4	253.4
Net trading income	5.3	4.0	3.6
Result from financial instruments and investment properties	-1.1	-15.0	17.5
Other operating result	-8.9	-84.5	-46.8
General administrative expenses	-535.7	-479.2	-470.7
Result from companies measured at equity	2.7	-0.6	-1.3
Result before taxes	**364.8**	**116.4**	**251.0**
Income taxes	-38.5	-1.5	-31.8
Result after taxes	**326.3**	**114.9**	**219.1**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the Group	**326.3**	**114.8**	**219.1**
Operating result	**427.1**	**148.2**	**162.8**
Key ratios	**1-12/2023**	**1-12/2022**	**1-12/2021**
Cost-income-ratio	**55.5 %**	**76.9 %**	**77.3 %**
ROE before taxes	**14.0 %**	**4.9 %**	**10.9 %**
ROE after taxes	**12.6 %**	**4.8 %**	**9.5 %**
Net interest margin	**2.3 %**	**1.6 %**	**1.3 %**
NPL ratio	**2.5 %**	**1.7 %**	**1.9 %**
Leverage ratio	**8.1 %**	**7.4 %**	**6.6 %**
Liquidity coverage ratio	**192.6 %**	**164.9 %**	**223.7 %**
Net stable funding ratio	**135.0 %**	**135.4 %**	**138.0 %**
Loan deposit ratio	**105.3 %**	**102.9 %**	**91.3 %**
Coverage ratio I	**32.9 %**	**33.2 %**	**35.6 %**
Coverage ratio III	**109.6 %**	**105.6 %**	**105.4 %**
Resources	**1-12/2023**	**1-12/2022**	**1-12/2021**
Staff average	**3,053**	**3,071**	**3,211**
Thereof domestic	3,053	3,071	3,211
	31 Dec 2023	31 Dec 2022	31 Dec 2021
Staff at end of period	**3,108**	**3,033**	**3,128**
Thereof domestic	3,108	3,033	3,128
Number of branches	**232**	**236**	**243**
Thereof domestic	232	236	243
Number of customers	**966,082**	**987,933**	**1,021,805**

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

Business development was successful for the Association of Volksbanks in 2023.

The earnings increase compared to the previous period is mainly due to the marked and rapid rise in interest rates over the past year, which caused net interest income to increase by 50.8 % to euro 705.1 million. Additionally, net fee and commission income, which had been on a high level already, was increased to euro 262.4 million.

The downside of the rapid rise in interest rates are increased risk provisions for credit risk in the valuation result, amounting to euro -65.0 million and resulting primarily from higher individual loan loss provisions. To date, there have been no significant credit losses in the Association of Volksbanks due to COVID-19 or due to current geopolitical tensions. Please refer to the comprehensive disclosures in the Notes for information on the calculation of credit risk provisions.

Following the early payment of the outstanding amount to the Republic and hence the fulfilment of the last outstanding obligations under the restructuring agreement for the Volksbanks in December 2022, the EU Commission confirmed the closure of the state aid proceedings at the end of January 2023.

For more than 170 years now, the business model of the Association of Volksbanks has been oriented towards sustainable development, focusing on all regions of Austria. Accordingly, the Volksbanks consider the trend towards and the increasing importance of sustainability in all sectors of the economy as an opportunity.

The Association of Volksbanks has committed itself to the Paris Agreement on climate protection and has already handed over a comprehensive project on the topic of sustainability to line management, with a view to managing ESG risks appropriately and enhancing the positive impact of its business activities on the environment and on people. The Volksbanks will continue to accompany the resulting measures 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. Following an improvement of the ESG Risk Rating Score from 26.7 to 17.4 in the previous year, VBW achieved an excellent result in 2023 with the new rating of 10.2 in the global ranking (tenth place in the "Regional Banks" category). This gratifying result underscores the recent efforts of the Association of Volksbanks in the area of sustainability.

In March 2023, VBW floated a green benchmark bond in the amount of euro 500 million with institutional investors for the first time. This issue also serves to meet regulatory MREL requirements, which the Association of Volksbanks completely fulfilled at the end of the year.

In this challenging environment, the focus of the Association of Volksbanks in retail banking continues to be on high-quality consultancy in all regions of Austria, supported by 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 branch visit. It is also gratifying to note that the Volksbanks have a very competitive product on the market in the form of their hausbanking app.

In private banking, too, the wishes of customers were taken into account by adding asset management in cooperation with Volksbank Vorarlberg. Private and institutional investors as well as companies benefit 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, a cooperation exists with Volksbank Vorarlberg in this respect, whose many years of expertise in asset management will now also benefit the customers of other Volksbanks.

The Association of Volksbanks is rated by the rating agency Fitch, and VOLKSBANK WIEN AG is additionally rated by Moody's. While the credit rating of the Association of Volksbanks (this rating applies to all banks) remained unchanged in 2023, the rating agency Moody's raised the credit rating of VOLKSBANK WIEN AG from Baa1 (positive outlook) to A2 (stable outlook) in February. This improvement is mainly due to the positive development in profitability, capitalisation and credit risk. A "stable" outlook means that no immediate further improvement of the rating is expected.

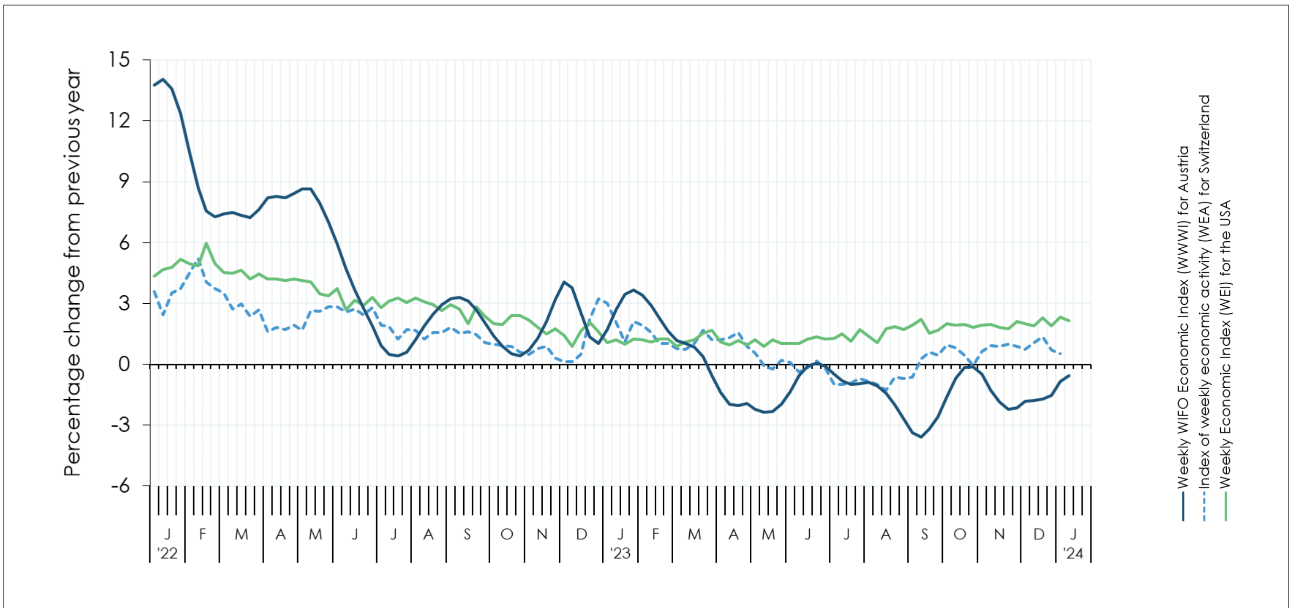
Economic environment

	Real GDP growth Y/Y	Inflation rate according to HICP Y/Y	Unemployment rate National definition (AMS)
As at 31 Jan. 2024	-0.7 %	7.7 %	6.4 %

Source: WIFO, Statistik Austria and AMS

With the catch-up effects after the COVID-19 crisis expiring, an economic downturn set in as early as 2022, which accelerated in 2023, resulting in a recession in Austria. Inflation detracted from consumer spending due to private households' loss of purchasing power, and industry was facing a decline in the demand for goods, which was also due in part to the destocking of existing products. Especially in the second half of the year, it was also capital goods that were increasingly affected by a weakness in demand; however, in contrast to the construction sector, the decline in manufacturing was gradually bottoming out towards year-end, according to WIFO. In construction, the effects that were initially seen primarily in building construction, which is sensitive to interest rates, increasingly extended to the other segments of the industry as well. Consumer price inflation decreased markedly in the course of 2023, especially in services, such as accommodation and gastronomy, which were still characterised by increases in value creation in 2023, but remained high in the second half of the year. Gradually, the economic downturn is making itself felt in the labour market as well; nevertheless, the WIFO finds that many companies are prepared to retain their employees due to increased costs of finding new ones. The number of unemployed persons and training participants has increased steadily since the summer, and according to the national calculation method the unemployment rate of 7.8 % in December exceeded that of December 2022 by 0.4 %. A marked increase was seen in the number of business insolvencies in 2023, which also significantly exceeded that of pre-pandemic 2019. Insolvencies in the distributive trades, as well as in construction and in the accommodation/gastronomy sector were relatively high.

Numerous indicators – including the Weekly WIFO Economic Index (WWWI) and the WIFO economic survey (Konjunkturtest) of December – indicate a stabilisation of economic activity at a low level. Based on information that is updated in short intervals, the WWWI estimates the GDP and its components for individual calendar weeks. Private consumption, but to an even higher degree gross capital investments provided a negative contribution in December compared to the same month of the previous year. From an industry perspective, decreases in value creation are expected primarily in manufacturing (-4 % Y/Y) and in the distributive trades (-3 % Y/Y). In spite of entrepreneurs' expectations brightening somewhat in the fourth quarter, they remain in negative territory according to the WIFO economic survey. According to WIFO's quick estimate, the GDP is likely to have slightly increased again throughout the fourth quarter (+0.2 %), compared to the preceding three months, meaning that a negative annual rate of 0.7 % was calculated for the full year.



Source: WIFO, SECO, Federal Reserve Bank of New York, Macrobond

Money market interest rates greatly increased in the first half of the year, and the 3-month Euribor reached the deposit rate. After increasing the main refinancing rate from 0 % to 2.5 % in 2022, the ECB added another 200 basis points in total in the first three quarters of 2023, so that the year ended with a key interest rate of 4.0 % (deposits), 4.5 % (main refinancing) and 4.75 % (marginal lending). In 2023, capital market interest rates increased at first, reaching 16-year record highs for some long-term benchmark bonds in October; however, a clearly opposite trend has occurred ever since due to the market's expectation of continued disinflation, leading to inversion at some points of the yield curve. At year-end 2023, the yield of the 10-year Austrian federal government bond of approx. 2.8 % was somewhat below its level at the beginning of the year, after it had increased to approx. 3.6 % during the year. Owing to a massive year-end rally against the background of the anticipated trend reversal in the monetary policy tightening cycle, European stock indices recorded strong gains (ATX approx. +10 %), unaffected by geopolitical conflicts (some of them escalating).

Energy market

The war in Ukraine is continuing, and the sanctions against Russia remain in force, nevertheless the previous year's energy price shock abated in 2023. In the course of the year, European gas prices returned to their level of mid-2021, providing a negative contribution to inflation in combination with a decrease in electricity prices. However, energy prices – and their impact on consumption and industry – are still significantly higher than before the pandemic. Apart from the prevailing weakness of the Austrian industry sector, experts also see the risk of a permanent loss of certain parts of manufacturing and of a loss of competitiveness on a global scale due to the energy price shock. Government support measures for private households and businesses, including in particular the "Strompreisbremse" (electricity price cap) until the end of 2024, continue to mitigate the effects of the economic situation.

The increase in energy prices has also impacted on other sectors, such as industrial goods, food and services, and in this way it persists. At 7.7 % Y/Y, the increase in harmonised consumer prices was significantly higher than in the euro zone for the full year of 2023, and only slightly lower than in the previous year (8.6 %). Apart from the categories of housing, water, energy, it was especially restaurants and hotels – which are important for Austria's economy – that were driving inflation.

Credit market

The slump in investment demand associated with high financing costs, a loss in real income and the low order backlog also impacted on lending business. Stricter regulations of housing financing introduced by the FMA in the previous year added to this situation. Christine Lagarde commented on the transmission of monetary policy tightening in mid-December: "Proper transmission is part of the mission". On average over the year 2023, loans to private households in Austria decreased minimally by approx. -0.1 %, while those to non-financial companies increased by 6.0 %. This contrasts with the development in the euro zone as a whole, which was characterised by a clearly positive increase in loans to private households (+1.7 %), but less than half of the growth in loans to non-financial companies (+2.7 %). In Austria, increases against the relevant periods of the previous year decreased from one month to the next; a negative annual growth rate has been measured for private households since June. While credit growth was observed for non-financial companies until the end of the year, that growth was subdued in the end, compared to the high initial values early in the year. The Bank Lending Survey for Austria equally reports a decline in credit demand in all quarters of 2023, anticipating a further decline in corporate loans in the first quarter of 2024.

Real estate market

On the Austrian residential real estate market, a long and marked price rally ended in the fourth quarter of 2022. Considering the full year of 2022, the series of high price increases continued at +10.4 % Y/Y, while the real estate price index of OeNB declined noticeably from the third to the fourth quarter (by almost -2 % Q/Q); from the second quarter of 2023, annual growth rates were negative as well, for the first time since Q2 2008. Overall, in 2023, the real estate price index of OeNB decreased by 1.6 % Y/Y, in the fourth quarter the annual rate was -2.3 % Y/Y. Positive growth was only recorded for new freehold flats; the index values in this segment even reached new record highs. The decline in the segments of single-family homes and pre-owned freehold flats was all the more significant – especially in Vienna. A negative growth rate is anticipated for the full year of 2023 as well: the average index figure Q1-Q3 2023 was around 1.4 % below the mean value of the relevant period of the previous year.

The headwinds experienced by real estate markets are mainly due to the high financing costs and more stringent lending standards. Reduced affordability curbs demand, while the supply side still benefits from previous years. However, in 2022, for the first time since 2007, fewer flats were approved than completed. Even within the ailing construction sector, it is the segment of residential building that recorded a significant loss of value creation in the previous year. Construction costs in housing development and residential building increased only marginally in 2023; marked wage increases and a decrease in other costs more or less balanced each other.

Regional and sectoral development

	Austria	Burgenland	Carinthia	Lower Austria	Upper Austria	Salzburg	Styria	Tyrol	Vorarlberg	Vienna
Q2/2023 production value % Y/Y										
Manufacturing	-2.1	3.0	-1.0	-4.9	0.7	0.7	-4.8	-1.5	-5.7	-2.2
Construction	-1.4	10.4	-4.7	1.5	-5.3	-0.4	0.9	-4.4	-6.7	1.0
Unemployment rate 2023 %	6.4	6.4	7.1	5.9	4.2	3.8	5.5	3.9	5.2	10.6
Tourism 2023: Overnight stays % Y/Y	10.4	7.2	2.6	11.2	9.1	11.5	5.4	8.0	8.7	30.7
Austria	2.6	4.8	-4.0	6.6	5.0	1.9	-0.6	1.8	5.0	15.1
Foreign	13.5	15.9	7.8	21.0	14.6	14.6	14.1	8.6	9.2	34.8

Source: WIFO, Statistik Austria and AMS

Some of the regional economic data from the first half of 2023 show marked differences. The development of tourism and employment, which is better than that of the manufacturing sector, tends to persist across Austria's federal provinces. In Vienna, construction output and manufacturing underperformed the Austrian average, especially in the first quarter of 2023. By comparison with the two federal provinces of Styria and Upper Austria, however, manufacturing plays a lesser role in Vienna. In Upper Austria, this sector managed to hold its ground against the Austrian average in spite of a certain decline, while in Styria an above-average decrease occurred in the second quarter. In contrast, construction output in Styria proved more stable than the development in Upper Austria. A relatively weak performance in both sectors was observed in Vorarlberg in the first half of the year. The increase in employment was higher in Vienna than in Austria overall; this is equally true of the increase in unemployed persons.

The labour market equally reflects the development by industry: in Upper Austria and Styria, a relatively high increase in the number of unemployed persons was recorded in December (compared to the same month of the previous year); the overall increase in employment was mainly based on tourism. In the annual tourist season of 2022/23 (November 2022 until October 2023), the number of accommodation facilities and beds increased by 2.4 % Y/Y and 1.9 % Y/Y respectively. The highest percentage increases occurred in Vienna, but increases were observed throughout Austria, except for Carinthia and Lower Austria. The occupancy rates of the facilities were still below pre-pandemic levels, which was due in part to an increase in the number of beds available. In the 2022/23 tourist season, the increase in beds and facilities was higher for commercial accommodation facilities than for private accommodation providers.

For the full year, the number of overnight stays was around 151 million, just under the value of the record year 2019 (domestic guests +2.6 %, foreign guests +13.5 % against 2022). In 2018, which ranks third now, in terms of overnight stays, among the calendar years recorded by Statistics Austria, some 150 million overnight stays were counted. In 2023, the highest percentage increase was recorded in Vienna, but obviously the federal capital also had the highest need to catch up.

While tourism is likely to have benefited from catch-up effects after the pandemic, in spite of lagging household income, retail sales decreased due to reduced consumer demand. The wholesale segment was additionally affected by slackening industry output. According to WIFO (December 2023), gross value added in the distributive trades probably shrunk by 5.5 % for the year as a whole. The development in new registrations of passenger cars was more encouraging: after the marked decrease in the previous year, new registrations again reached the level of 2021, but the gap compared to 2019 remained high at around 27 %. In December 2023, for the tenth consecutive time, sales in industry and construction were declining year-on-year, according to a preliminary estimate even more so in industry (-11.6 % Y/Y) than in construction (-4.1 % Y/Y). Both sectors experience a difficult order situation: in construction, a lack of orders replaced labour shortage as the primary obstacle to production in the WIFO economic survey of January 2024. Around the middle of the year, some order backlogs in construction were significantly lower in almost all federal provinces (except for Burgenland and Carinthia) than in the previous year.

Again in 2023, healthcare counted among the comparatively stable sectors with a low number of insolvencies. Medical services still benefit from scarce supply (in certain areas) and a rather stable consumption trend in the sector, while factors like reduced real disposable income and the associated changes in consumer behaviour, as well as other challenges faced by the retail sector, including a growth in online offers, partly influence the market environment of pharmacies as well.

Result of the Association for the 2023 financial year

The 2023 financial year was still characterised by high inflation, subsequent interest rate hikes by the ECB and the associated stagnation of economic growth. In 2023, the result of the Association before taxes amounts to euro 364.8 million (2022: euro 116.4 million), the result of the Association after taxes to euro 326.3 million (2022: euro 114.9 million), and the operating result to euro 427.1 million (2022: euro 148.2 million).

Net interest income increased from euro 467.6 million to euro 705.1 million in the 2023 financial year. On the income side, interest and similar income increased from euro 550.4 million to euro 1,036.3 million, and on the expense side, interest and similar expenses increased from euro -82.8 million to euro -331.3 million. This was mainly due to a euro 369.1 million increase in interest income from loans and receivables to customers, and a euro 83.9 million increase in interest income from the central bank, which was basically attributable to the further increases in key interest rates by the ECB in the 2023 financial year. Interest expense from deposits with the central bank increased by euro -30.5 million. In addition, interest expenses to customers have increased significantly to euro -160.5 million compared to euro -10.9 million in the previous year. Moreover, there was an increase in interest expenses for debts evidenced by certificates by euro -35.3 million to euro -54.9 million (2022: euro -19.6 million).

The risk provisions in the financial year increased compared to the past financial year of 2022 by euro -33.7 million to euro -65.0 million. This is mainly reflected by higher net allocations to individual loan loss provisions (including direct write-offs and income from loans and receivables written off) amounting to euro -67.7 million (2022: net reversals euro +8.9 million) and lower net reversals of portfolio loan loss provisions amounting to euro +3.5 million (2022: net allocations euro -35.5 million). The portfolio loan loss provisions include allocations for post-model adjustments in the amount of euro -23.3 million. Details regarding the post-model adjustments are contained in the Notes, chapter Credit risk, Note 50) b). For off-balance sheet business, net allocations of euro -0.9 million (2022: euro -4.5 million) were effected.

Net fee and commission income in the reporting year amounts to euro 262.4 million, another improvement compared to the previous year (2022: euro 255.4 million). This increase was mainly due to checking account business and payment transactions (euro +7.4 million), as well as custody business (euro +3.0 million). This compares to a lower net fee and commission income from other services (euro -3.5 million).

Net trading income amounts to euro 5.3 million for the financial year and improved by euro 1.3 million compared to the previous year. While interest-rate related trading book derivatives have increased to euro +2.0 million, the valuation result for foreign exchange derivatives as well as valuations of foreign currencies, foreign notes and coin, and precious metals decreased to euro +3.3 million.

The result from financial instruments and investment properties for the reporting period amounts to euro -1.1 million, thus exceeding the comparative period (2022: euro -15.0 million) by euro 13.9 million. In the 2023 financial year, the result from the valuation of fair value issues decreased from euro +18.1 million to euro -2.9 million, which compares to interest rate swaps from the hedging of issues to euro +2.0 million (2022: euro 18.4 million), which form an economic hedge. Moreover, income from participations increased by euro 1.3 million to euro 3.0 million. The fair value measurements of capital guarantees improved by euro 1.8 million to euro -0.1 million, and the measurements of loans and receivables recognised at fair value improved by euro +10.8 million to euro -2.5 million.

The other operating result for the 2023 financial year amounts to euro -8.9 million (2022: euro -84.5 million). The decrease is mainly due to the repayment of the government's participation right in the amount of euro -83.2 million in the previous year. Moreover, contributions paid to the deposit guarantee and the Single Resolution Fund (SRF) decreased by euro 8.9 million to euro -11.4 million (2022: euro -20.3 million).

General administrative expenses of euro -535.7 million (2022: euro -479.2 million) have increased compared to the previous year. Due to collective bargaining agreements and the provision for employee bonuses, staff expenses increased by euro -32.0 million to euro -314.8 million. Administrative expenses have also increased by euro -24.9 million. This is mainly due to increased costs for IT projects (euro -14.7 million), higher expenses for advertising and representation (euro -5.0 million), as well as higher rentals and expenses for business premises (euro -4.1 million).

Taxes on income amount to euro -38.5 million in the 2023 financial year (2022: euro -1.5 million). The tax expenditure includes deferred tax expenses in the amount of euro +15.4 million (2022: euro +17.3 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 45.8 million (2022: euro 35.4 million) for part of the tax loss carryforwards. The current tax expense, including tax expense from previous years, for 2023 amounts to euro -53.9 million (2022: euro -18.8 million).

Financial position

As at 31 December 2023, total assets amounted to euro 30.5 billion and have increased by comparison with the end of 2022 (euro 29.2 billion) by euro 1.3 billion, mainly due to purchases in the securities portfolio and an increase in customer volume.

The liquid funds in the amount of euro 3.4 billion remained unchanged compared to the previous year.

Compared to the end of the previous period (euro 0.1 billion), loans and receivables to credit institutions have increased slightly to euro 0.2 billion.

As at 31 December 2023, both loans and receivables to customers amounting to euro 22.7 billion (2022: euro 22.1 billion) and financial investments of euro 2.9 billion (2022: euro 2.4 billion) increased against the end of the previous year due to an increase in customer volume and to purchases of fixed-income securities respectively.

Amounts owed to credit institutions in the amount of euro 0.8 billion have decreased compared to 31 December 2022 (euro 1.8 billion), essentially due to the decrease in amounts owed to OeNB (euro -1.0 billion). This decrease results from the partial repayment of TLTRO III in the amount of euro 0.7 billion, on the one hand, and from the reclassification of clearing transactions, on the other hand. As clearing transactions have been assumed by PSA Payment Service Austria GmbH, a subsidiary of OeNB, and are now settled by the former, other liabilities increased by euro 0.2 billion to euro 0.6 billion as at 31 December 2023.

The slight increase in amounts owed to customers from euro 22.1 billion to euro 22.2 billion as at 31 December 2023 results from an increase in time deposits, compensating the decreases in checking account and uncommitted savings deposits.

Debts evidenced by certificates amount to euro 3.3 billion as at 31 December 2023 and have increased by euro 1.6 billion against the previous year, due to the issue of new bonds (incl. a green bond in the amount of euro 0.5 billion).

Since the beginning of the year, equity including the capital of non-controlling interests has increased by euro 321.3 million to euro 2.8 billion. This change is mainly due to the Group's total comprehensive income for the 2023 financial year (euro 359.3 million), the distributions to the shareholders (euro -6.2 million), the coupon payment for the AT1 issue (euro -17.1 million), as well as the redemption of own shares by VBW in the course of implementing the structural simplification concept for crisis situations within the Association of Volksbanks (euro -8.6 million), and the repurchase of PS capital in VB Vorarlberg (euro -6.2 million). The total comprehensive income of the Group in the amount of euro 359.3 million consists of the net result for 2023 of euro 326.3 million and other comprehensive income of euro 33.0 million.

Report on branch establishments

The Association of Volksbanks does not have any branch establishments.

Financial performance indicators

The regulatory own funds of the group of credit institutions (the Association of Volksbanks), including the allocation of profits, amount to euro 2.9 billion as at 31 December 2023 (31 December 2022: euro 2.7 billion). The total risk exposure amount was euro 15.2 billion as at 31 December 2023 (31 December 2022: euro 14.2 billion). The CET 1 capital ratio in relation to total risk amounts to 15.3 % (31 December 2022: 14.2 %), the own funds ratio in relation to total risk is 18.9 % (31 December 2022: 18.7 %).

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 Note 35).

Performance indicators	2023	2022	2021
Return on Equity before taxes	14.0 %	4.9 %	10.9 %
Return on Equity after taxes	12.6 %	4.8 %	9.5 %
Cost-income ratio	55.5 %	76.9 %	77.3 %

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 Act on the Recovery and Resolution of Banks (Bankensanierungs- und Abwicklungsgesetz; BaSAG).

Related party transactions

For details on business relationships with related parties, please refer to the information contained in the Notes in the 2023 Annual Report of the Association, Note 45).

Non-financial performance indicators

Human Resources

The path of growth of the Association of Volksbanks was officially launched together with more than 1,500 employees at the 'ERVOLKS' festivity. On the occasion of the management conference "DER WENDEPUNKT. Team für Wachstum." – THE TURNING POINT. Team for Growth –, some 140 executives from the Association of Volksbanks discussed the new leadership challenges and employee needs.

A Net Promoter Score (NPS) survey is regularly conducted as part of the "Employee Satisfaction" sustainability goal within the Association of Volksbanks. The NPS value of VOLKSBANK WIEN AG in the 2023 survey increased by 27 points compared to the survey two years ago, and by 8 points against last year. The NPS of the year 2023 of 10 points is very encouraging.

This positive development confirms that, apart from steering towards economic success, we are also relying on the right topics such as flexible working models, options for personal development and career perspectives, monetary recognition, and appreciative leadership. In 2023, numerous measures were implemented:

- Bonus model: adequate rewards for high performance and commitment.
- 'Urlaubswoche Plus': additional week of annual leave to improve employees' work-life balance.
- Young talent programme: with a view to recruiting new staff, closing potential "retirement gaps" in time.
- "Employees recruiting employees": we set store on recommendations from staff members, and we reward them.
- Job bike: an eco-friendly, cost-efficient mobility option.
- Cooperation with betreuerinnen.at: a 24-hour caregivers platform to support the needs of families.

As in the past year, the relationship and identification of employees with the banks of the Association was surveyed. The responses show that the degree of identification of a vast majority of employees is high to very high. At 7.0, the score of identification with VOLKSBANK WIEN AG is high and has increased against 2022 (6.8).

With respect to diversity, the Association has set itself the sustainable 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 2023, a share of 26.73 % (including managing board members) was achieved, representing an increase by 15 % compared to 31 December 2021.

In recognition of their commitment, the supervisory boards of all Volksbanks decided to pay a cost-of-living bonus and/or employee profit share to all employees of the Association of Volksbanks for 2023 as well.

Report on the future development and risks of the Association

Future development of the Association

Economic environment

At the beginning of the year, consumer price inflation decreased further. Administered prices, which had increased massively in the relevant month of the previous year, including in particular energy network usage charges, caused household energy prices to decrease in January. In the current year, the increase in prices is expected to be a little more than half of that in 2023, with the deceleration of the core inflation rate being likely to slow down. The inflationary effect of the expiry of anti-inflation measures is likely to be limited, as the electricity price cap was extended until the end of 2024. The main factor that is anticipated to support GDP growth in 2024 is private consumption, which, after the further decline in real disposable income in 2023, is likely to increase significantly in 2024 due to expected substantial pay rises under the collective bargaining agreements, boosted by the elimination of bracket creep and the price indexing of social benefits. Even if experts think that the economic slowdown has reached a bottom in 2023, the GDP growth projected for 2024 remains limited, as industry, in contrast to the services sector, will be slow in gaining momentum and especially housing investments will continue to falter. The year-on-year rate (Jahresverlaufsrate) estimated by WIFO, which considers the course of the economic cycle within a period of one year, will be higher than the annual growth rate.

In the World Economic Outlook Update of 30 January 2024, the IMF has slightly adjusted its global growth expectations upwards compared to its October report, primarily due to adjustments for the USA and China. According to the Monetary Fund, the growth of global trade is still burdened by the continuing trend of increasing trade restrictions.

Low activity in the housing sector and the resulting demand increase might support the real estate market (which was stagnating in 2023) in the medium term, just like the expected increase in disposable income and stagnating construction costs. There is also a particular need for the financing of refurbishments, conversions and the expansion of renewable energies. But still, financing in the real estate sector is facing some difficulties at the beginning of the year. The demand for securities investments might equally benefit from the anticipated increase in income; moreover, saving will become less attractive due to declining yields in favour of equity markets.

Economic forecasts for 2024

Dec. 23	Real GDP growth Y/Y	Inflation rate according to HICP Y/Y	Unemployment rate National definition (AMS)
WIFO	0.9 %	4.0 %	6.4 %
OeNB	0.6 %	4.0 %	6.8 %

The war in Ukraine and any new bursts of inflation associated therewith remain relevant risk factors for the Austrian economy; additionally, there is the Gaza conflict that equally threatens international supply chains (restored only recently) if it spreads to other regions. Any prolonged phase of high inflation or weakness of the industry sector carries additional risks for the export and labour markets.

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, the Volksbanks, as their relationship bank, are consistently implementing the “relationship bank of the future” service concept within the Association. The focus is on the customers in the regions. The structural and cultural changes effected over the past financial years have contributed to establishing the Volksbanks and Österreichische Ärzte- und Apothekerbank AG as the most modern 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, on the one hand, and on centralised control and processing, on the other hand.

In 2024, the bank is going to focus on the customers and on growing with the customers throughout the Association. For this purpose, we will continue to work on improving our processes and on intensifying digitisation.

In the course of medium-term planning, the Association of Volksbanks has set itself a number of new strategic goals that will be a management focus in the years to come. These include an improvement in the cost-income ratio to below 65 %, 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 under 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.

The Association of Volksbanks has defined sustainability goals on which the sustainability management of the Association of Volksbanks will continue to be based in the future. 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 by 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 in 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, VOLKSBAK WIEN AG (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 for sound risk management, the Risk Appetite Framework (RAF) for the Association of Volksbanks is continuously refined to define the risk appetite or the degree of risk tolerance that the Association of Volksbanks is willing to accept in order to achieve its defined objectives. 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 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.

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)

ESG risks have been integrated in all elements of the internal capital adequacy process; however, they 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.

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. 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 2023 Annual Report of the Association (especially Risk Report, Note 50).

Report on research and development

The Association of Volksbanks does not carry out any own research and development activities. Within the scope of various digitisation campaigns, however, special customer-oriented approaches are being advanced.

'Hausbanking' (online banking of the Volksbank Group) is considered the most important interface for interactions with customers. This secure platform enables customers to provide direct feedback as to whether any information, video tutorial or process description was helpful and also to add specific remarks or questions. By means of online surveys customer satisfaction with online banking (focus on Retail customers) is verified, and in focus group meetings customer feedback is collected and integrated in the course of developing the online banking platform (hausbanking). New functions of the app are tested together with customers within the scope of beta testing; regular information is provided about new developments. Customers find active references to useful functions extremely helpful. Special service orders within hausbanking enable functions to be easily "tested" with customers before they are fully integrated in the bank's system. In this way, IT engineers can check if the service lives up to customers' expectations and find options for improvement if necessary (Fail Fast).

Digital target group management is being extended; based on A/B tests and piloting measures within VBW, customers will be addressed increasingly and specifically through digital channels, such as hausbanking or the mobile hausbanking app. This will lead to an improvement of customer retention and increased use of online services and online contract conclusions, as well as to a continuous improvement of data quality for online customers.

Additional innovation-related topics will be identified, prioritised and evaluated with a view to being rolled out across the Association in the proposed "Zukunfts-Werkstatt".

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 Association in the ICS group policy. Within the Association of Volksbanks, responsibility for implementation lies with the OPRISK and Risk Governance group at VBW.

An internal control system (ICS) has been installed within the Association of Volksbanks 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 guarantee that the data supplied by the members of the Association is transferred correctly, all data provided is initially 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 is directly allocated to the Managing Board, it reports 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. Additionally, employees in group accounting will communicate this information 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 the 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 actually carried out against those specified.

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Statement of comprehensive income

INCOME STATEMENT	Note	1-12/2023 Euro thousand	1-12/2022 Euro thousand	Changes Euro thousand	%
Interest and similar income		1,036,333	550,382	485,951	88.29 %
thereof using the effective interest method		981,185	535,908	445,277	83.09 %
Interest and similar expenses		-331,253	-82,809	-248,443	> 200.00 %
Net interest income	4	705,080	467,573	237,507	50.80 %
Risk provision	5	-65,005	-31,302	-33,703	107.67 %
Fee and commission income		286,366	279,312	7,054	2.53 %
Fee and commission expenses		-24,007	-23,907	-100	0.42 %
Net fee and commission income	6	262,359	255,405	6,954	2.72 %
Net trading income	7	5,314	4,013	1,300	32.40 %
Result from financial instruments and investment properties	8	-1,090	-14,971	13,880	-92.72 %
Other operating result	9	-8,902	-84,549	75,647	-89.47 %
General administrative expenses	10	-535,687	-479,227	-56,460	11.78 %
Result from companies measured at equity		2,736	-587	3,323	< -200.00 %
Result before taxes		**364,805**	**116,356**	**248,449**	**> 200.00 %**
Income taxes	11	-38,497	-1,485	-37,012	> 200.00 %
Result after taxes		**326,308**	**114,871**	**211,437**	**184.06 %**
Result attributable to shareholders of the parent company (Consolidated net result)		**326,308**	**114,847**	**211,461**	**184.12 %**
Result attributable to non-controlling interest		0	24	-24	-100.00 %

OTHER COMPREHENSIVE INCOME	1-12/2023 Euro thousand	1-12/2022 Euro thousand	Changes Euro thousand	%
Result after taxes	**326,308**	**114,871**	**211,437**	**184.06 %**
Items that will not be reclassified to profit or loss				
Revaluation of obligation of defined benefit plans (including deferred taxes)	-3,521	20,316	-23,836	-117.33 %
Revaluation reserve (including deferred taxes)	251	60	191	> 200.00 %
Fair value reserve - equity instruments (including deferred taxes)	29,234	93	29,141	> 200.00 %
Revaluation of own credit risk (including deferred taxes)	938	587	351	59.73 %
Total items that will not be reclassified to profit or loss	**26,902**	**21,056**	**5,846**	**27.77%**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	2,708	-7,867	10,575	-134.43 %
Net amount transferred to profit or loss	0	-2	2	-100.00 %
Cash flow hedge reserve (including deferred taxes)				
Change in fair value (effective hedge)	2,056	-721	2,777	< -200.00 %
Net amount transferred to profit or loss	574	-10	584	< -200.00 %
Change in deferred taxes arising from untaxed reserve	9	9	0	0.00 %
Change from companies measured at equity	773	3,152	-2,380	-75.48 %
Total items that may be reclassified to profit or loss	**6,121**	**-5,438**	**11,559**	**< -200.00 %**
Other comprehensive income total	**33,023**	**15,618**	**17,405**	**111.44 %**
Comprehensive income	**359,331**	**130,489**	**228,842**	**175.37 %**
Comprehensive income attributable to shareholders of the parent company	**359,331**	**130,465**	**228,866**	**175.42 %**
Comprehensive income attributable to non-controlling interest	0	24	-24	-100.00 %

Statement of financial position as at 31 December 2023

	Note	31 Dec 2023 Euro thousand	31 Dec 2022 Euro thousand	Changes Euro thousand	%
ASSETS					
Liquid funds	12	3,434,659	3,473,153	-38,493	-1.11 %
Loans and receivables credit institutions	13, 14	234,118	123,038	111,080	90.28 %
Loans and receivables customers	13, 14	22,738,130	22,115,988	622,142	2.81 %
Assets held for trading	15	24,931	25,592	-661	-2.58 %
Financial investments	14, 16	2,925,083	2,377,968	547,115	23.01 %
Investment property	17	36,777	36,439	338	0.93 %
Companies measured at equity	18	98,987	94,234	4,753	5.04 %
Participations	19	163,833	126,898	36,936	29.11 %
Intangible assets	20	869	1,373	-505	-36.75 %
Tangible assets	21	386,854	388,527	-1,672	-0.43 %
Tax assets	22	120,065	116,930	3,135	2.68 %
Current taxes		4,179	6,678	-2,498	-37.42 %
Deferred taxes		115,886	110,253	5,634	5.11 %
Other assets	23	317,089	337,433	-20,344	-6.03 %
Assets held for sale	24	306	6,602	-6,296	-95.36 %
TOTAL ASSETS		**30,481,704**	**29,224,176**	**1,257,528**	**4.30 %**
LIABILITIES					
Amounts owed to credit institutions	25	811,615	1,812,239	-1,000,624	-55.21 %
Amounts owed to customers	26	22,179,937	22,105,097	74,839	0.34 %
Debts evidenced by certificates	27	3,280,580	1,681,529	1,599,051	95.10 %
Lease liabillities	28	170,410	171,893	-1,484	-0.86 %
Liabilities held for trading	29	22,967	27,835	-4,868	-17.49 %
Provisions	30, 31	176,093	170,425	5,668	3.33 %
Tax liabilities	22	31,926	7,366	24,560	> 200.00 %
Current taxes		27,961	3,092	24,869	> 200.00 %
Deferred taxes		3,965	4,273	-309	-7.23 %
Other liabilities	32	600,570	357,799	242,771	67.85 %
Subordinated liabilities	33	450,386	454,062	-3,676	-0.81 %
Total nominal value cooperative capital shares	34	5,818	3,016	2,803	92.94 %
Subscribed capital	34	282,198	288,346	-6,147	-2.13 %
Additional tier 1 capital	34	217,722	217,722	0	0.00 %
Reserves	34	2,251,480	1,926,766	324,714	16.85 %
Non-controlling interest	34	0	80	-80	-100.00 %
TOTAL LIABILITIES		**30,481,704**	**29,224,176**	**1,257,528**	**4.30 %**

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 2022	**288,484**	**217,722**	**511,141**	**1,310,014**	**2,327,361**	**2,025**	**2,329,386**	**3,336**	**2,332,722**
Consolidated net income				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	0	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			0	120		120	-120	0
Changes scope of consolidation	0		0	-768	-768	-596	-1,364	0	-1,363
Participation Capital				0	0	-1	-1		-1
Change in cooperative capital and participation capital	-254			-81	-335		-335	-200	-535
Repurchase own shares				0	0		0		0
Change in treasury stocks participation capital	-5		-29	0	-35	0	-35		-35
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			10	16	26	-16	10	0	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**
Consolidated net income				326,308	326,308	0	326,308		326,308
Other comprehensive income	0	0	0	33,023	33,023	0	33,023	0	33,023
Comprehensive income	0	0	0	359,331	359,331	0	359,331	0	359,331
Capital increase	0		0	0	0		0		0
Dividends paid				-6,194	-6,194		-6,194		-6,194
Coupon for the AT1 emission				-17,050	-17,050		-17,050		-17,050
Changes in base amount regulation	-3,357			0	-3,357		-3,357	3,357	0
Changes scope of consolidation	0		0	-35	-35		-35	0	-35
Participation Capital				0	0		0		0
Change in cooperative capital and participation capital	-922			-4,692	-5,614		-5,614	-555	-6,169
Repurchase own shares [4]	-1,873			-6,774	-8,646		-8,646	0	-8,646
Change in treasury stocks participation capital	5		29	0	35		35	0	35
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			0	99	99	-80	19	0	19
As at 31 Dec 2023	**282,198**	**217,722**	**511,156**	**1,740,325**	**2,751,401**	**0**	**2,751,401**	**5,818**	**2,757,219**

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.
4) In the course of implementing the structural simplification concept for crisis situations within the Association of Volksbanks own shares were repurchased by VBW.

Details are shown in note 34) Equity.

Cash flow statement

In euro thousand	Note	1-12/2023	1-12/2022
Annual result (before non-controlling interest)		**326,308**	**114,871**
Non-cash positions in annual result and other adjustments			
Net interest income	4	-697,345	-466,899
Income from participations	8	-3,016	-1,647
Depreciation, amortisation, impairment and reversal of impairment of financial instruments and fixed assets	8, 10	26,732	28,313
Allocation to and release of provisions, including risk provisions	5, 10	77,327	29,405
Gains from the sale of financial investments and fixed assets	8, 9	-3,284	-10,880
Income taxes	11	38,497	1,481
Changes in assets and liabilities from operating activities			
Loans and advances to credit institutions	13	-107,805	114,280
Loans and advances to customers	13	-678,902	-574,317
Trading assets	15	-3,472	-58
Financial investments	16	-98,471	-9,412
Other assets from operating activities	23	8,390	29,364
Amounts owed to credit institutions	25	-1,004,477	-1,961,367
Amounts owed to customers	26	33,763	-641,993
Debts evidenced by certificates	27	1,567,658	-194,227
Derivatives	15, 23, 29, 32	24,343	-210,637
Other liabilities	32	227,788	-67,066
Interest received		972,044	554,135
Interest paid		-219,194	-87,286
Dividends received	8	3,016	1,647
Income taxes paid		-22,932	-26,225
Cash flow from operating activities		**466,968**	**-3,378,518**
Proceeds from the sale or redemption of			
Financial investments at amortised cost	16	157,925	23,437
Participations	19	1,447	1,006
Intangible and tangible assets	20, 21	11,175	34,384
Investment property	17	955	6,863
Disposal of subsidiaries (net of cash disposed)	2	57	0
Payments for the acquisition of			
Financial investments at amortised cost	16	-604,756	-20,291
Participations	19	-1,984	-35
Intangible and tangible assets	20, 21	-23,677	-20,097
Cash flow from investing activities		**-458,858**	**25,267**
Change in cooperative capital and participation capital		-6,134	-564
Redemption of participation capital	34	-3,000	0
Dividends paid	34	-23,244	-25,363
Cash outflow of lease liabilities	28	-7,658	-7,996
Cash outflow of subordinated liabilities	33	-6,800	-40,373
Disposal of non-controlling interest		-17	-597
Cash flow from financing activities		**-46,854**	**-74,893**
Cash and cash equivalents at the end of previous period	12	**3,473,152**	**6,901,063**
Cash flow from operating activities		466,968	-3,378,518
Cash flow from investing activities		-458,858	25,267
Cash flow from financing activities		-46,854	-74,893
Effect of currency translation		251	234
Cash and cash equivalents at the end of period	12	**3,434,660**	**3,473,152**

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).

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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 6 March 2024 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 2023 and 2022 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.

In the previous year, the Republic of Austria as shareholder of VBW exercised a significant influence on the VBW Group until the retransfer of the shares. 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 financial year 2023, VB Rückzahlungsgesellschaft mbH in liqu. was deconsolidated as, following its liquidation, all the pro rata capital, including the liquidation proceeds, was repaid to the parent company VBW.

In addition, the fully consolidated companies VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H., Gärtnerbank Immobilien GmbH and GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH were merged into the fully consolidated sister company VOBA Vermietungs- und Verpachtungsges.m.b.H. in the 2023 financial year.

These transactions had no influence on the equity or on the result of the Association.

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.

As the shares transferred to the federal government are beneficially owned by the shareholders – essentially VB shareholders –, the shares were not derecognised in the course of the transfer. In the Association's financial statements, these shares in VBW therefore continue to be offset against the equity of VBW during capital consolidation.

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 remaining 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.

Structural simplification concept

In June 2023, a structural simplification concept for crisis situations was adopted within the Association of Volksbanks. In addition to the joint liability scheme, this concept includes measures to improve the capital position of the affiliated banks and a simplification of the organisational structure, including the automatic formation of a group of companies with VBW as parent company and the other eight affiliated banks as subsidiaries, in the event of any significant deterioration of the liquidity, assets or earnings position within the Association of Volksbanks.

Number of consolidated companies

	31 Dec 2023			31 Dec 2022		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fully consolidated companies						
Credit institutions	9	0	9	9	0	9
Financial institutions	3	0	3	4	0	4
Other companies	10	0	10	13	0	13
Total	**22**	**0**	**22**	**26**	**0**	**26**
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 2023			31 Dec 2022		
	Domestic	Foreign	Total	Inland	Ausland	Total
Affiliates	18	1	19	18	1	19
Associated companies	4	0	4	5	0	5
Companies total	**22**	**1**	**23**	**23**	**1**	**24**

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 2023.

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.

Initially applied standards and interpretations

Standard	Mandatory application	Significant effects on the Association
Amendments to standards and interpretations		
IFRS 17 - Insurance Contracts	01 Jan 2023	No
Amendments to IAS 1 and IFRS Guidance 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 IAS 12 - International Tax Reform – Global Minimum Taxation (Pillar II)	01 Jan 2023	No

Standards and interpretations to be applied in the future

Standard	Mandatory application	Significant effects on the Association
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 IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements	01 Jan 2024	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.

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 does not have any effect on the net assets, financial position and earnings situation shown in the consolidated financial statements of the Association.

b) Standards and interpretations to be applied in the future

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The amendment includes requirements for the subsequent valuation of leases within the scope of a sale and leaseback (SLB) with variable lease payments at the seller-lessee. It regulates the development of lease liabilities where variable lease payments were taken into account upon initial recognition. Basically, the effect of the amendment is that the variable lease 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. In each period, the lease liability is reduced by the expected payments, and the difference to the actual payments is recognised in profit or loss. The first-time application of the amendment to IFRS 16 will not have any material effect on the consolidated financial statements, as the Group will usually not conclude any sale and leaseback agreements with variable lease payments.

Amendments to IAS 1 – Classification of Liabilities as Current or Con-current and Non-current Liabilities with Covenants

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 of the Association; however, additional disclosures may be required due to existing covenants.

Amendments to IAS 1 – Non-current Liabilities with Covenants

The amendments to IAS 1 regarding 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.

Amendments to IAS 7 and IFRS 7 – Disclosure of financing arrangements with suppliers

The amendment is intended to improve transparency regarding the effects of supply financing agreements on a company's liabilities, cash flows and liquidity risk. To this end, existing disclosure requirements are supplemented by additional and mandatory qualitative and quantitative disclosures.

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 2023, 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 2023 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 carryforwards; 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. The underlying parameters of the valuation models used are also based on forward-looking assumptions.
- 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, stage 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 2023.

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 and deferrals, have been offset within the scope of debt consolidation. Income and expenses between companies of the Association 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 of the financial statements of foreign subsidiaries are recognised in the currency translation reserve in OCI. Any goodwill, disclosed hidden reserves and burdens 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 burdens arising from business combinations after 1 January 2005 are translated at the spot exchange mean rate on the Group's reporting date. No foreign subsidiary in a foreign currency was included in the consolidated financial statement as of 31 December 2023.

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 assets and liabilities held for trading are recognised in net trading income.

h) Risk provision

The item Risk provision 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 fair 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 the 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, among others, 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 regulatory expenses and all other operating results.

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 and IT expenses.

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. Moreover, 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 have 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 prevention of default of 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 collaterals – 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 must 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 redemption amounts, 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

The 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 showing the significance of the individual 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 the valuation is 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 ofFor financial assets and liabilities in the banking book, which that are allocated to the category 'measured at fair value through profit or loss', interest, divi-dends as well as the related commission income and expenses are shown reported separately in the respective positions inof 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 fair 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 fair values 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 a 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.

In accordance with IFRS 9, the gross carrying amount of receivables is reduced if it cannot reasonably be expected to be realisable. Therefore, the decisive criterion for derecognition of receivables is their uncollectability. A receivable must be derecognised completely in any case if all prerequisites are fulfilled, i.e. 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 conviction and in spite of execution proceedings, the debtor is insolvent, unless there is any clear prospective quota 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.

Impairment

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 Association.

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 cash flows from collaterals, 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.

Post-model adjustments

Risks that are not fully mapped in the data model, or macroeconomic developments that are not fully reflected in the models, scenarios and assumptions are recorded as post-model adjustments. For detailed information, 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.

These items do not include any financial assets and liabilities that fall into the category at fair value through profit or loss.

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 directly attributable 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 where accordingly risks or fluctuations are 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 fair 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 hence budgets are available. 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 2023 financial year, range between 8.9 - 13.2 % (2022: 9.2 - 12.9 %). The market risk premium used for the calculation is 7.8 % (2022: 8.1 %), the beta values used range between 0.9 - 1.4 (2022: 0.9 - 1.3). Additional country risks did not have to be considered. Discounts due to fungibility and exercise of control in the amount of 10 % in each case are effected for two participations.

Changes in value are reflected in the fair value reserve. If the 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 - lease

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
IT hardware (including calculators, etc.)	up to 5 years
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 - lease	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

Accrued 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 estimating lease terms economic disadvantages are considered. Therefore the first option of termination will not be used when determing the lease term.

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

	2023	2022	2021	2020
Expected return on provisions for pensions	3.40 %	3.80 %	0.30 %	0.30 %
Expected return on provisions for severance payments	3.40 %	3.80 %	0.40 %	0.40 %
Expected return on anniversary pensions	3.40 %	3.80 %	0.40 %	0.40 %
Expected return on plan assets	4.00 %	3.80 %	0.30 %	0.30 %
Future salary increase	3.70 %	3.80 %	2.50 %	2.50 %
Future pension increase	3.20 %	3.00 %	1.70 %	1.70 %
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 the obligation will result in an outflow of resources. They are made the amount of the most probable future claims, taking into account cost estimates of contractual partners, experience 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 that are shown in this item together with other liabilities. This item also includes all negative fair 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 1 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 with the percentages applicable to the respective business areas.

Regulatory own funds can be broken down into three elements:

- Common equity Tier 1 (CET1)
- Additional Tier 1 (AT1)
- Supplementary capital or Tier 2 capital (T2)

The first two components comprise the Tier 1 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. 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 exposures (at the latest).

T2 also includes non-current subordinated liabilities.

The minimum equity ratio (total of Tier 1 and Tier 2) is 8.0 %. Minimum core capital requirements are 4.5 % for CET1 and 6.0 % for Tier 1. 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 requirements and guidances 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 activity.

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	2023	2022
Interest and similar income from	1,036,333	550,382
Deposits from credit institutions (incl. central banks)	102,692	18,768
Credit and money market transactions with credit institutions	5,050	18,130
Credit and money market transactions with customers	843,743	474,675
Bonds and other fixed-income securities	46,236	31,536
Derivative instruments	38,612	7,273
Interest and similar expenses for	-331,253	-82,809
Liquid funds	-44,033	-13,512
Deposits from credit institutions	-11,482	-2,468
Deposits from customers	-160,511	-10,908
Debts evidenced by certificates	-54,862	-19,565
Subordinated liabilities	-22,898	-16,347
Derivative instruments	-29,154	-18,066
Lease liabilities	-2,722	-2,616
Valuation result - modification	-5,736	573
Valuation result - derecognition	145	100
Net interest income	**705,080**	**467,573**

Net interest income according to IFRS 9 categories

Euro thousand	2023	2022
Interest and similar income from	1,036,333	550,382
Financial assets measured at amortised cost	980,295	535,608
Financial assets measured at fair value through OCI	889	299
Financial assets measured at fair value through profit or loss - obligatory	16,536	7,201
Derivative instruments	38,612	7,273
Interest and similar expenses for	-331,253	-82,809
Financial liabilities measured at amortised cost	-293,366	-62,570
Financial liabilities measured at fair value through OCI	0	0
Financial liabilities measured at fair value through profit or loss - designated	-3,142	-2,847
Derivative instruments	-29,154	-18,066
Valuation result - modification	-5,736	573
Valuation result - derecognition	145	100
Net interest income	**705,080**	**467,573**

Due to the negative reference rates in the previous year, negative interest income of euro 22,605 thousand and negative interest expenses of euro 14,195 thousand occurred in the 2022 financial year. Only insignificant negative interest expenses and income occurred in the 2023 financial year. Negative interest income is reported in interest expenses, and negative interest expenses are reported in interest income, so that all results are shown gross.

5) Result from risk provisions

Euro thousand	2023	2022
Changes in risk provision	-63,465	-18,332
Changes in provision for risks	-918	-4,452
Direct write-offs of loans and receivables	-5,066	-14,644
Income from loans and receivables previously written off	4,482	5,923
Valuation result modification/derecognition	-38	203
Risk provision	**-65,005**	**-31,302**

6) Net fee and commission income

Euro thousand	2023	2022
Fee and commission income	286,366	279,312
Lending business	17,471	18,134
Securities and custody business	98,708	95,306
Payment transactions	127,808	119,098
Foreign exchange, foreign notes and coins and precious metals transactions	1,146	1,595
Financial guarantees	5,704	6,068
Other services	35,528	39,111
Fee and commission expenses	-24,007	-23,907
Lending business	-2,629	-3,324
Securities and custody business	-7,346	-7,710
Payment transactions	-13,745	-12,454
Foreign exchange, foreign notes and coins and precious metals transactions	-4	0
Financial guarantees	-51	-65
Other services	-232	-354
Net fee and commission income	**262,359**	**255,405**

Other services mainly include brokerage commission für brokering loans to Teambank. Management fees for trust agreements were recognised in fee and commission income in the amount of euro 269 thousand (2022: euro 320 thousand).

7) Net trading income

Euro thousand	2023	2022
Equity related transactions	2	5
Exchange rate related transactions	3,340	5,115
Interest rate related transactions	1,972	-1,107
Net trading income	**5,314**	**4,013**

8) Result from financial instruments and investment properties

Euro thousand	2023	2022
Other results from financial instruments	**-2,902**	**-18,718**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	-5,919	-20,367
Valuation measured at fair value through profit or loss - obligatory	-2,974	-38,506
Loans and receivables credit institutions and customers	-2,542	-13,308
Securities	249	-1,334
Result from other derivative instruments	600	-22,954
Result from fair value hedge	-1,473	-909
Result (ineffectiveness) from cash flow hedge	192	0
Valuation measured at fair value through profit or loss - designated	-2,949	18,129
Debts evidenced by certificates	-2,949	18,129
Income from equities and other variable-yield securities	5	10
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	3,016	1,650
Realised gains from disposal	0	14
Realised losses from disposal	0	-11
Income from participations	3,016	1,647
Result from investment properties	**1,811**	**3,747**
Income from investment properties and operating lease	1,937	1,702
Valuation investment properties	-126	2,045
Result from financial instruments and investment properties	**-1,090**	**-14,971**

9) Other operating result

Euro thousand	2023	2022
Other operating income	18,906	31,182
Other operating expenses	-12,679	-91,257
Deconsolidation result from consolidated affiliates	-1	-225
Regulatory expenses	-15,129	-24,249
Other operating result	**-8,902**	**-84,549**

Regulatory expenses include the stability tax in the amount of euro -3,690 thousand (2022: euro -3,913 thousand), contributions to the deposit guarantee scheme in the amount of euro -3,136 thousand (2022: euro -9,777 thousand) and contributions to the Single Resolution Fund in the amount of euro -8,303 thousand (2022: euro -10,559 thousand).

In the 2023 financial year, the line “Taxes and levies on banking business” within the item Other operating result was renamed “Regulatory expenses”. In this context, regulatory costs (contributions to the deposit guarantee and the Single Resolution Fund) amounting to euro -11,439 thousand (2022: euro -20,336 thousand) were reclassified from administrative expenses to regulatory expenses in Other operating result. The comparative figures for the previous year have been adjusted.

Detailed description of other operating income and other operating expenses

Euro thousand	2023	2022
Income from allocation of costs	5,110	4,026
Realised gains from disposal of fixed assets and security properties	4,450	15,884
Rental and leasing income	4,491	4,087
Others	4,855	7,184
Other operating income	**18,906**	**31,182**

Allocation of costs	-5,345	-4,334
Realised losses from disposal of fixed assets and security properties	-1,169	-1,438
Payment under the restructuring agreement	0	-83,192
Release of provision for negative interest	0	2,799
Allocation/release of provision for legal risks	24	425
Expenses for buildings	-539	-876
Claims	-3,615	-1,489
Other taxes	-1,361	-849
Others	-675	-2,302
Other operating income	**-12,679**	**-91,257**

10) General administrative expenses

Euro thousand	2023	2022
Staff expenses	-314,751	-282,733
Wages and salaries	-241,381	-210,700
Expenses for statutory social security	-58,674	-55,977
Fringe benefits	-4,165	-3,779
Expenses for retirement benefits	-6,699	-6,141
Allocation to provision for severance payments and pension funds	-3,831	-6,137
Administrative expenses	-191,594	-166,736
Office space expenses	-21,542	-17,453
Office supplies and communication expenses	-4,488	-4,738
Advertising, PR and promotional expenses	-20,629	-15,634
Legal, advisory and consulting expenses	-23,853	-22,724
IT expenses	-106,510	-91,801
Other administrative expenses (including training expenses)	-14,573	-14,386
Depreciation and reversal of impairment	-29,342	-29,757
Depreciation	-19,815	-20,102
Impairment/reversal of impairment	-954	-1,185
Right of use - lease depreciation	-8,572	-8,471
General administrative expenses	**-535,687**	**-479,227**

Staff expenses include payments for defined contribution plans totalling euro 7,042 thousand (2022: euro 6,322 thousand).

General administrative expenses include expenses for managing contracts for investment properties to the amount of euro 34 thousand (2022: euro 22 thousand).

Expenses for low-value assets in the amount of euro 1,551 thousand (2022: euro 1,522 thousand) are included in the administrative expenses.

In the 2023 financial year, regulatory costs (contributions to the deposit guarantee and the Single Resolution Fund) amounting to euro -11,439 thousand (2022: euro -20,336 thousand) were reclassified from general administrative expenses to regulatory expenses in Other operating result. The comparative figures for the previous year have been adjusted.

For the business year, expenses for the auditor KPMG Austria GmbH Wirtschaftsprüfung und Steuerberatungsgesellschaft amounted to euro 1,705 thousand (2022: euro 1,674 thousand). Thereof euro 1,146 thousand (2022: euro 1,146 thousand) are due to the audit of the consolidated financial statements including financial statements of fully consolidated companies and joint ventures, euro 526 thousand (2022: euro 503 thousand) upon other advisory services and euro 33 thousand (2022: euro 25 thousand) upon other audit services. The auditor does not provide any tax advice.

Information on compensation to board members

Euro thousand	2023	2022
Total compensation	**8,165**	**7,127**
Supervisory board VBW	452	354
Managing board VBW	2,371	1,840
Member of the managing board / Managing directors Volksbanks	5,342	4,933
Expenses for severance payments and pension	**1,380**	**1,027**
Supervisory board VBW	0	0
Managing board VBW	689	706
Member of the managing board / Managing directors Volksbanks	691	320

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	
	2023	2022	31 Dec 2023	31 Dec 2022
Employees	3,031	3,048	3,086	3,011
Workers	22	23	22	22
Total number of staff	**3,053**	3,071	**3,108**	3,033

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

11) Income taxes

Euro thousand	2023	2022
Current income taxes	-53,888	-19,681
Deferred income taxes	15,386	17,336
Income taxes for the current fiscal year	**-38,502**	**-2,344**
Income taxes from previous periods	5	860
Income taxes	**-38,497**	**-1,485**

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

Euro thousand	2023	2022
Annual result before taxes - continued operation	364,805	116,356
Annual result before taxes - total	**364,805**	**116,356**
Imputed income tax 24 % (2022: 25 %)	87,553	29,089
Tax relief resulting from		
Tax-exempt investment income	-1,566	-312
Investment allowances	-32	-30
Other tax-exempt earnings	-462	-674
Dividend distribution on AT1 capital	-4,092	-4,263
Measurement of participations	4,296	12,405
Re-inclusion of deferred tax assets	-51,501	-35,602
Changes in tax rates	4,990	4,879
Other differences	-685	-3,148
Income taxes for the current fiscal year	**38,502**	**2,344**
Income taxes from previous periods	-5	-860
Reported income taxes	**38,497**	**1,485**
Effective tax rate - continued operations	**10.55 %**	**1.28 %**

The effective tax rates differ from the statutory tax rate applicable in Austria, in particular due to deferred tax assets being offset against tax loss carryforwards.

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

	2023			**2022**		
Euro thousand	**Other comprehensive income net**	**Income taxes**	**Other comprehensive income gross**	**Other comprehensive income net**	**Income taxes**	**Other comprehensive income gross**
Valuation of obligations from defined benefit plans	-4,554	1,034	-3,521	27,526	-7,210	20,316
Revaluation reserve	325	-75	251	0	60	60
Fair value reserve - equity instruments	37,643	-8,409	29,234	-108	201	93
Valuation of own credit risk	1,202	-264	938	766	-179	587
Fair value reserve - debt instruments	3,648	-940	2,708	-10,358	2,489	-7,869
Cash flow hedge reserve	3,430	-799	2,631	-960	230	-730
Change in deferred taxes of untaxed reserve	0	9	9	0	9	9
Change from companies measured at equity	27	745	773	4,109	-956	3,152
Other comprehensive income total	**41,721**	**-8,698**	**33,023**	**20,975**	**-5,358**	**15,618**

Notes to the consolidated balance sheet

12) Liquid funds

Euro thousand	31 Dec 2023	31 Dec 2022
Cash in hand	172,996	170,667
Balances with central banks	3,261,663	3,302,486
Liquid funds	**3,434,659**	**3,473,153**

The balance sheet item Liquid funds includes cash on hand, the minimum reserve and receivables from the OeNB due on demand.

13) Loans and receivables credit institutions and customers

Euro thousand	31 Dec 2023	31 Dec 2022
Loans and receivables credit institutions		
Amortised cost	234,134	123,049
Gross carrying amount	234,134	123,049
Risk provisions	-16	-11
Net carrying amount	**234,118**	**123,038**
Loans and receivables customers		
Amortised cost	22,740,145	22,133,939
Fair value through profit or loss	390,007	396,364
Gross carrying amount	23,130,152	22,530,304
Fair value changes in the underlying items for portfolio hedges of interest rate risks	-62,241	-139,313
Risk provisions	-329,781	-275,003
Net carrying amount	**22,738,130**	**22,115,988**
Loans and receivables credit institutions and customers	**22,972,248**	**22,239,026**

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	66,329	27,326
Up to 3 months	145,655	55,796
Up to 1 year	0	1,092
Up to 5 years	17,115	5,606
More than 5 years	5,035	33,230
Loans and receivables credit institutions (gross)	**234,134**	**123,049**

On demand	727,782	606,184
Up to 3 months	644,683	553,351
Up to 1 year	1,504,651	1,486,102
Up to 5 years	5,442,271	5,465,749
More than 5 years	14,810,765	14,418,918
Loans and receivables customers (gross)	**23,130,152**	**22,530,304**

Finance lease disclosures

Euro thousand	Until 1 year	Until 5 years	More than 5	Total
2023				
Total gross investment	30,730	154,207	19,108	204,046
Less paid non-interest-bearing deposits	-2,005	-9,823	-319	-12,147
Less unearned financial income	-2,280	-10,009	-1,470	-13,760
Present value of minimum lease payments	**26,445**	**134,375**	**17,319**	**178,139**
Total unguaranteed residual value				**5,596**
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**

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.

Sensitivity analysis

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

As at 31 December 2023, there are loans and receivables customers measured at fair value through profit or loss in the amount of euro 390,007 thousand (2022: euro 396,364 thousand).

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

Loans and receivables customers

Euro thousand 31 Dec 2023	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1,124	-1,116
Change in risk markup +/- 100 bp	11,621	-10,803
Change in rating 1 stage down / up	846	-1,344
Change in rating 2 stages down / up	1,352	-3,367
31 Dec 2022		
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

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 2022	**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
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**
Increases due to origination and acquisition	3	0	0	3
Decreases due to derecognition	-3	0	0	-3
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
Post-model adjustment	0	0	0	0
Decrease in allowance account due to write-offs	0	0	0	0
Other adjustments	1	0	0	1
As at 31 Dec 2023	**16**	**0**	**0**	**16**

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 2022	**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
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**
Increases due to origination and acquisition	5,812	2,669	692	9,173
Decreases due to derecognition	-1,697	-3,355	-4,579	-9,632
Changes due to change in credit risk	-30,808	-6,588	78,623	41,227
Thereof transfer to stage 1	9,020	-9,012	-8	0
Thereof transfer to stage 2	-12,405	12,899	-494	0
Thereof transfer to stage 3	-117	-6,042	6,159	0
Post-model adjustment	20,047	4,750	0	24,797
Decrease in allowance account due to write-offs	0	0	-11,037	-11,037
Other adjustments	-625	-5,864	6,739	250
As at 31 Dec 2023	**46,958**	**71,122**	**211,702**	**329,781**

Risk provision – financial investments measured at amortised cost

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2022	**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
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**
Increases due to origination and acquisition	120	0	0	120
Decreases due to derecognition	-74	0	0	-74
Changes due to change in credit risk	-143	0	0	-143
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
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 2023	**694**	**0**	**0**	**694**

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 2022	**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
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**
Increases due to origination and acquisition	2	0	0	2
Decreases due to derecognition	-1	0	0	-1
Changes due to change in credit risk	-7	0	0	-7
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
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 2023	**9**	**0**	**0**	**9**

15) Assets held for trading

Euro thousand	31 Dec 2023	31 Dec 2022
Bonds and other fixed-income securities	3,996	544
Equities and other variable-yield securities	19	0
Positive fair values of derivative instruments	20,915	25,048
Interest rate related transactions	20,915	25,048
Assets held for trading	**24,931**	**25,592**

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	1,452	56
Up to 1 year	819	5
Up to 5 years	1,725	475
More than 5 years	0	8
Bonds and other fixed-income securities	**3,996**	**544**

VBW as the CO maintains a trading book. The face values of the trading book as at 31 December 2023 amount to euro 861,351 thousand (2022: euro 968,486 thousand).

16) Financial investments

Euro thousand	31 Dec 2023	31 Dec 2022
Financial investments		
Amortised cost	2,825,755	2,293,548
Fair value through OCI	96,414	80,708
Fair value through profit or loss	3,608	4,505
Risk provision	-694	-792
Carrying amount	**2,925,083**	**2,377,968**

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 587 thousand (2022: euro 1,554 thousand).

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	95,969	54,832
Up to 1 year	202,773	194,881
Up to 5 years	1,275,504	946,237
More than 5 years	1,350,944	1,181,256
Bonds and other fixed-income securities	**2,925,190**	**2,377,206**

Breakdown of debt securities in accordance with the Austrian Banking Act

Euro thousand	31 Dec 2023	31 Dec 2022
Listed securities	2,908,218	2,364,068
Bonds and other fixed-income securities	2,908,218	2,364,068
Securities allocated to fixed assets	2,923,768	2,375,759
Securities eligible for rediscounting	2,914,317	2,340,878

17) Investment property

Euro thousand	Investment properties
Acquisition costs as at 01 Jan 2022	**31,199**
Change in the scope of consolidation	986
Reclassification	0
Disposals	-2,090
Assets held for sale	-30
Acquisition costs as at 31 Dec 2022	**30,065**
Change in the scope of consolidation	0
Reclassification	2,548
Disposals	-1,073
Assets held for sale	0
Acquisition costs as at 31 Dec 2023	**31,541**

Euro thousand	Investment properties
Cumulative valuation 01 Jan 2022	**6,313**
Change in the scope of consolidation	-496
Reclassification	0
Disposals	-1,470
Assets held for sale	-19
Valuation losses	-72
Valuation gains	2,117
Cumulative valuation 31 Dec 2022	**6,374**
Change in the scope of consolidation	0
Reclassification	-1,178
Disposals	167
Assets held for sale	0
Valuation losses	-1,012
Valuation gains	886
Cumulative valuation 31 Dec 2023	**5,236**

Euro thousand	Investment properties
Carrying amount 01 Jan 2022	37,512
Carrying amount 31 Dec 2022	36,439
Carrying amount 31 Dec 2023	**36,777**

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 -225 thousand (2022: euro 1,889 thousand) still held at the reporting date.

In financial year 2023, investment properties with a carrying amount of euro 906 thousand (2022: euro 3,560 thousand) were disposed of.

Investment properties contain 27 completed properties (2022: 26) with a carrying amount of euro 24,501 thousand (2022: 23,368 euro thousand), as well as undeveloped land with a carrying amount of euro 12,276 thousand (2022: 13,071 euro thousand). At the reporting date, all investment properties are measured at fair value and are located in Austria.

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 being 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 carrying amount line 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

	2023			2022		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	59	4,780	907	49	4,770	867
Rentable space in sqm	38	2,741	1,045	38	2,741	1,058
Occupancy rate	0.00 %	100.00 %	94.00 %	0.00 %	100.00 %	95.37 %
Discount rate	0.10 %	6.00 %	4.31 %	2.00 %	7.25 %	4.77 %

Sensitivity analysis

Euro thousand	Changes in the carrying amount	
31 Dec 2023	if assumption is increased	if assumption is decreased
Discount rate (0.25 % change)	-1,342	1,507
Discount rate (0.50 % change)	-2,545	3,212
31 Dec 2022		
Discount rate (0.25 % change)	-1,166	1,295
Discount rate (0.50 % change)	-2,221	2,741

Undeveloped land

	2023			2022		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	35	2,940	1,023	41	3,000	1,089
Plot size in sqm	540	48,263	15,312	540	48,263	15,229
Value per sqm	6	241	147	5	267	158

Sensitivity analysis

Euro thousand	Changes in the carrying amount	
31 Dec 2023	if assumption is increased	if assumption is decreased
Land value (10 % change)	1,228	-1,228
Land value (5 % change)	614	-614
31 Dec 2022		
Land value (10 % change)	1,307	-1,307
Land value (5 % change)	654	-654

The Association has committed to the maintenance of investment property refinanced by a third parties. 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 2022	**91,696**
Additions	17
Disposals	-44
Proportional Comprehensive income	2,720
Impairment	-154
Carrying amount as at 31 Dec 2022	**94,234**
Additions	1,244
Disposals	0
Proportional Comprehensive income	4,381
Impairment	-872
Carrying amount as at 31 Dec 2023	**98,987**

Associated companies

The Association holds 79.2 % (2022: 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 78.6 % (2022: 77.5 %) 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	2023	2022
Assets		
Loans and receivables credit institutions	46,395	26,148
Other assets	93,133	107,938
Total assets	**139,529**	**134,087**
of which current assets	139,529	114,155
Liabilities and Equity		
Other liabiliites	3,722	4,109
Equity	135,807	129,977
Total liabilities and equity	**139,529**	**134,087**
of which current liabilities	3,722	4,109
Statement of comprehensive income		
Interest and similar income	1,316	384
Interest and similar expense	0	-260
Net interest income	1,316	124
Result before taxes	5,875	247
Income taxes	-344	-879
Result after taxes	5,531	-631
Other comprehensive income	1,285	4,064
Comprehensive income	**6,816**	**3,432**

Reconciliation

Euro thousand	2023	2022
Equity	135,807	129,977
Equity interest	n.a.	n.a.
Equity proportional	107,366	101,072
Cumulative impairment and reversals	-8,018	-7,146
Valuation previous years	-361	308
Carrying amount as at 31 Dec	**98,987**	**94,234**

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 2023	31 Dec 2022
Investments in unconsolidated affiliates	14,464	14,398
Investments in companies with participating interest	8,147	5,808
Investments in other participations	141,222	106,691
Participations	**163,833**	**126,898**

A list of unconsolidated affiliates can be found in note 54). Participations with a carrying amount of euro 1,047 thousand (2022: euro 262 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 117,707 thousand (2022: euro 83,837 thousand), Schulze-Delitzsch Ärzte und Freie Berufe e.Gen. with a carrying amount of euro 4,691 thousand (2022: euro 3,325 thousand) PSA Payment Services Austria GmbH with a carrying amount of euro 4,033 thousand (2022: euro 3,845 thousand) and Oesterreichische Kontrollbank Aktiengesellschaft with a carrying amount of euro 4,016 thousand (2022: euro 3,750 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 2,966 thousand from participations measured at fair value through OCI (2022: euro 1,567 thousand). There were no dividends from participations measured at fair value through OCI that were derecognised in either the current financial year or the previous year.

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 fair value Euro thousand		Interest rate		
31 Dec 2023		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	13,104	12,687	12,307
Income component	**Actual**	14,112	**13,649**	13,227
	10.00 %	15,120	14,611	14,146
31 Dec 2022				
	-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

Participations valued by net assets

Euro thousand	Proportional fair value If assumption is decreased	Actual	If assumption is increased
31 Dec 2023			
Net assets (10 % change)	17,564	**19,515**	21,468
31 Dec 2022			
Net assets (10 % change)	16,509	**18,340**	20,177

Participations valued by external appraisals

Euro thousand	Proportional fair value Lower band	Actual	Upper band
31 Dec 2023			
Proportional fair value	108,731	**120,809**	132,893
31 Dec 2022			
Proportional fair value	77,984	**86,650**	95,313

20) Intangible assets

Euro thousand	Software	Others	Total
Acquisition costs as at 01 Jan 2022	**34,238**	**555**	**34,793**
Additions	535	0	535
Disposals	-1,129	0	-1,129
Acquisition costs as at 31 Dec 2022	**33,645**	**555**	**34,199**
Additions	252	0	252
Disposals	-4,279	-9	-4,288
Acquisition costs as at 31 Dec 2023	**29,618**	**546**	**30,164**
Cumulative valuation 01 Jan 2022	**-32,832**	**-273**	**-33,105**
Disposals	1,129	0	1,129
Depreciation	-835	-15	-849
Cumulative valuation 31 Dec 2022	**-32,538**	**-288**	**-32,826**
Disposals	4,279	9	4,288
Depreciation	-742	-15	-757
Cumulative valuation 31 Dec 2023	**-29,001**	**-294**	**-29,295**
Carrying amount 01 Jan 2022	1,406	281	1,687
Carrying amount 31 Dec 2022	1,107	266	1,373
Thereof with limited useful life	1,107	266	1,373
Carrying amount 31 Dec 2023	**617**	**252**	**869**
Thereof with limited useful life	617	252	869

21) Tangible assets

Euro thousand	Land and buildings	IT-Equipment	Office equipment and furniture	Others	Total
Acquisition costs as at 01 Jan 2022	**419,298**	**14,030**	**179,596**	**6,271**	**619,194**
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
Acquisition costs as at 31 Dec 2022	**396,629**	**10,547**	**179,527**	**6,509**	**593,212**
Reclassification	-4,293	0	1,703	0	-2,590
Additions	11,640	101	10,284	1,401	23,425
Disposals	-10,081	-4,942	-19,923	-1,098	-36,044
Assets held for sale	0	0	0	0	0
Acquisition costs as at 31 Dec 2023	**393,895**	**5,706**	**171,591**	**6,811**	**578,003**
Cumulative valuation 01 Jan 2022	**-210,941**	**-12,653**	**-147,730**	**-4,146**	**-375,471**
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**
Reclassification	1,553	0	-7	0	1,545
Disposals	8,980	4,940	19,496	982	34,397
Assets held for sale	0	0	0	0	0
Depreciation	-8,887	-421	-8,719	-1,031	-19,058
Impairment	-954	0	0	0	-954
Cumulative valuation 31 Dec 2023	**-199,936**	**-5,019**	**-139,268**	**-3,820**	**-348,043**
Carrying amount 01 Jan 2022	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
Carrying amount 31 Dec 2023	**193,959**	**687**	**32,323**	**2,992**	**229,960**

Right of use

Euro thousand	Vehicles	Branches	Administration buildings	Others	Total
31 Dec 2022					
Amortised cost	281	160,569	31,207	11	192,068
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
31 Dec 2023					
Amortised cost	518	162,851	34,625	252	198,247
Additions	237	2,434	0	241	2,913
Depreciation	-45	-6,521	-1,983	-24	-8,572
Carrying amount	**290**	**128,946**	**27,430**	**228**	**156,894**

At the Association of Volksbanks 1 building was sold (2022: 9 buildings) 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 1,765 thousand (2022: euro 5,291 thousand).

22) Tax assets and liabilities

Euro thousand	31 Dec 2023 Tax assets	31 Dec 2023 Tax liabilities	31 Dec 2022 Tax assets	31 Dec 2022 Tax liabilities
Current tax	4,179	27,961	6,678	3,092
Deferred tax	115,886	3,965	110,253	4,273
Tax total	**120,065**	**31,926**	**116,930**	**7,366**

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:

Euro thousand	31 Dec 2023 Tax assets	31 Dec 2023 Tax liabilities	31 Dec 2022 Tax assets	31 Dec 2022 Tax liabilities	Net deviation 2023 Total	Net deviation 2023 In income statement	Net deviation 2023 In other comprehensive income
Loans and receivables credit institutions	5	1,278	6	2,510	1,231	1,231	0
Loans and receivables customers	54,837	31,622	86,644	33,955	-29,473	-29,473	0
Assets held for trading	2,794	0	2,599	0	196	196	0
Financial investments	789	2,551	20,898	59	-22,601	-21,662	-940
Investment property	0	3,746	0	4,134	387	387	0
Participations	2,607	4,423	8,047	3,783	-6,080	2,329	-8,409
Intangible and tangible assets	36,490	37,393	39,535	39,573	-864	-789	-75
Amounts owed to credit institutions	3	0	7	0	-3	-3	0
Amounts owed to customers	1,082	0	995	0	87	87	0
Debts evidenced by certificates and subordinated liabilities	30	17,934	39	49,212	31,269	31,533	-264
Lease liabilities	39,194	0	41,254	0	-2,060	-2,060	0
Liabilities held for trading	0	2,732	0	2,217	-515	-515	0
Provisions for pensions, severance payments and other provisions	18,759	1,636	18,850	2,305	578	-456	1,034
Other assets and liabilities	64,550	64,162	71,722	82,075	10,740	11,539	-799
Other balance sheet items	0	201	0	210	9	0	9
Tax loss carryforwards	58,460	0	35,416	0	23,044	23,044	0
Deferred taxes before netting	**279,600**	**167,678**	**326,011**	**220,032**	**5,943**	**15,386**	**-9,443**
Offset between deferred tax assets and deferred tax liabilities	-163,714	-163,714	-215,759	-215,759	0	0	0
Reported deferred taxes	**115,886**	**3,965**	**110,253**	**4,273**	**5,943**	**15,386**	**-9,443**

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 examining of the utilisation of tax loss carryforwards. 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 on profit or loss.

For tax loss carryforwards in the amount of euro 230,613 thousand (2022: euro 443,896 thousand) no deferred taxes were recognised. Of these taxable loss carryforwards euro 230,613 thousand (2022: euro 443,896 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 relating to investments in subsidiaries in the amount of euro 48,026 thousand (2022: euro 54,564 thousand) and deferred tax assets in the amount of euro 6,076 thousand (2022: euro 14,782 thousand) were not recognised as a reversal is not expected soon.

23) Other assets

Euro thousand	31 Dec 2023	31 Dec 2022
Deferred items	5,409	4,428
Other receivables and assets	61,886	59,908
Positive fair values of derivative instruments	249,795	273,097
Other assets	**317,089**	**337,433**

Other receivables and assets essentially consist auxiliary accounts of deferrals an open outgoing invoices of euro 24,382 thousand (2022: euro 24,947 thousand), the banking business and other allocations amounting to euro 19,812 thousand (2022: euro 18,061 thousand), receivables against employees in the amount of euro 5,338 thousand (2022: euro 4,738 thousand) and receivables from property sales in the amount of euro 825 thousand (2022: euro 1,390 thousand).

In addition to derivatives that are used for hedge accounting in accordance with IFRS 9, the item Positive fair values from derivative financial instruments also includes derivatives in the amount of euro 9,564 thousand (2022: euro 8,803 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 2023		31 Dec 2022	
Euro thousand	**Fair value hedge**	**Cash flow hedge**	**Fair value hedge**	**Cash flow hedge**
Interest rate related transactions	237,048	3,183	264,293	0
Positive fair values of derivative instruments	**237,048**	**3,183**	**264,293**	**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 2023	31 Dec 2022
Investment property	0	49
Tangible assets	0	6,247
Other assets	306	306
Assets held for sale	**306**	**6,602**

25) Amounts owed to credit institutions

Euro thousand	31 Dec 2023	31 Dec 2022
Central banks	616,157	1,606,641
Other credit institutions	195,458	205,598
Amounts owed to credit institutions	**811,615**	**1,812,239**

Amounts owed to credit institutions are measured at amortised cost.

As at 31 December 2023, the outstanding amount of the TLTRO III instruments was euro 600,000 thousand (2022: euro 1,300,000 thousand). The decrease is due to the early partial repayment of euro 700,000 thousand.

Interest expenses include interest expenses from the TLTRO programme of euro 44,033 thousand (2022: interest income from negative interest of euro 18,768 thousand).

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	44,667	310,895
Up to 3 months	54,575	90,871
Up to 1 year	616,484	1,817
Up to 5 years	12,776	1,301,435
More than 5 years	83,112	107,221
Amounts owed to credit institutions	**811,615**	**1,812,239**

26) Amounts owed to customers

Euro thousand	31 Dec 2023	31 Dec 2022
Savings deposits	4,190,213	6,220,019
Other deposits	17,989,328	15,885,317
Fair value changes in the underlying items for portfolio hedges of interest rate risks	395	-238
Amounts owed to customers	**22,179,937**	**22,105,097**

Amounts owed to customers are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	17,689,426	20,657,195
Up to 3 months	866,198	408,674
Up to 1 year	2,751,728	782,068
Up to 5 years	840,590	216,525
More than 5 years	31,600	40,873
Amounts owed to customers	**22,179,542**	**22,105,335**

27) Debts evidenced by certificates

Euro thousand	31 Dec 2023	31 Dec 2022
Bonds	3,280,580	1,681,529
Amortised cost	3,210,454	1,614,228
Fair value through profit or loss - designated	70,126	67,301
Debts evidenced by certificates	**3,280,580**	**1,681,529**

The item Bonds - measured at fair value through profit or loss comprises the redemption amount at maturity of euro 50,000 thousand (2022: EUR 50,000 thousand), the fair value measurement and the interest accruals (including interest accruals for a zero-coupon bond). In the financial year 2023, the fair value change of own credit risk in the amount of euro 938 thousand was recognised (2022: euro 587 thousand) in other comprehensive income. The cumulative amount of the fair value change of own credit risk was euro 1,899 thousand (2022: euro 961 thousand).

In the 2023 financial year, 13 (2022: 1) issues with a total face value of euro 1,457,350 thousand (2022: euro 50,000 thousand) were issued by VBW. The issue with the highest volume is a green bond in the amount of euro 500,000 thousand.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	2,270	4,000
Up to 1 year	185,000	10,000
Up to 5 years	2,189,375	1,080,135
More than 5 years	903,935	587,393
Debts evidenced by certificates	**3,280,580**	**1,681,529**

28) Lease liabilities

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	2,038	1,915
Up to 1 year	5,724	5,436
Up to 5 years	36,225	34,808
More than 5 years	126,424	129,734
Lease liabilities	**170,410**	**171,893**

Cash inflow and cash outflow of the lease liabilities

Euro thousand	Lease liabilities
As at 01 Jan 2022	**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**
Cash inflow	0
Cash outflow	-7,658
Non-cash changes	
Others	6,174
Total non-cash changes	6,174
As at 31 Dec 2023	**170,410**

29) Liabilities held for trading

Euro thousand	31 Dec 2023	31 Dec 2022
Negative fair values of derivative instruments		
Interest rate related transactions	22,967	27,835
Liabilities held for trading	**22,967**	**27,835**

30) Provisions

Provisions for off-balance sheet risks

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2022	**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
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**
Increases due to origination and acquisition	2,619	680	365	3,664
Decreases due to derecognition	-386	-507	-489	-1,382
Changes due to change in credit risk	-5,153	-940	3,028	-3,066
Thereof transfer to stage 1	574	-574	0	0
Thereof transfer to stage 2	-810	822	-12	0
Thereof transfer to stage 3	-1	-116	117	0
Post-model adjustment	1,456	106	0	1,562
Other adjustments	-276	-165	441	0
As at 31 Dec 2023	**4,493**	**8,646**	**11,963**	**25,102**

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 1 Jan 2022	**3,146**	**3,268**	**3,253**	**10,937**	**20,605**
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**
Reclassification	0	0	0	0	0
Utilisation	-317	0	-353	-1,721	-2,391
Release	-1,252	0	-208	-3,035	-4,495
Addition	243	0	2,245	3,631	6,118
As at 31 Dec 2023	**1,018**	**220**	**4,194**	**6,891**	**12,323**

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.

No court proceedings have been initiated in the past years in relation to the provision for interest claims from credits with interest rate floors. Hence 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 2022	**38,515**	**109,041**	**19,305**	**166,861**
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**
Current service costs	-64	3,507	871	4,313
Interest costs	1,266	3,377	620	5,262
Payments	-3,200	-4,818	-1,038	-9,056
Actuarial gains or losses arising from changes in financial assumptions	1,667	2,905	688	5,260
Net present value as at 31 Dec 2023	**33,034**	**90,174**	**16,575**	**139,784**

Net present value of plan assets

Euro thousand	Provision for pensions
Net present value of plan assets as at 01 Jan 2022	**1,029**
Result from plan assets	-35
Net present value of plan assets as at 31 Dec 2022	**994**
Result from plan assets	122
Net present value of plan assets as at 31 Dec 2023	**1,115**

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

Contribution payments to plan assets are expected in the amount of euro 17 thousand in 2023 (2022: euro 8 thousand).

Euro thousand	Provision for pensions	Provision for severance payments	Provision for anniversary bonuses	Total
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**
31 Dec 2023				
Long-term employee provision	33,034	90,174	16,575	139,784
Net present value of plan assets	-1,115	0	0	-1,115
Net liability recognised in balance sheet	**31,919**	**90,174**	**16,575**	**138,669**

Historical information

Euro thousand	2023	2022	2021	2020	2019
Net present value of obligations	139,784	134,004	166,861	181,023	213,621
Net present value of plan assets	1,115	994	1,029	987	971

Composition of plan assets

Euro thousand	31 Dec 2023 Plan assets - quoted	Plan assets - non-quoted	Plan assets - total	31 Dec 2022 Plan assets - quoted	Plan assets - non-quoted	Plan assets - total
Bond issues regional administration bodies	236	0	236	145	0	145
Bond issues credit institutions	68	0	68	34	0	34
Other bond issues	230	0	230	263	0	263
Shares EU countries	92	0	92	94	0	94
Shares USA and Japan	152	0	152	136	0	136
Other shares	100	0	100	97	0	97
Derivatives	65	17	82	22	40	62
Real estate	0	100	100	0	95	95
Fixed deposit	0	41	41	0	7	7
Cash in hand	0	12	12	0	60	60
Total	**945**	**170**	**1,115**	**792**	**202**	**994**

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 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
31 Dec 2023		
Discount rate (0.75 % modification)	-7,788	11,835
Future wage and salary increases (0.50 % modification)	5,757	-4,482
Future pension increases (0.25 % modification)	1,321	-219
Future mortality (1 year modification)	2,429	-1,287

As at 31 December 2023, the weighted average term of defined-benefit obligations for pensions was 8.9 years (2022: 9.3 years) and for severance payments 9.4 years (2022: 10.7 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 2023	31 Dec 2022
Deferred items	2,601	2,332
Other liabilities	326,735	82,580
Negative fair values of derivative instruments	271,235	272,887
Other liabilities	**600,570**	**357,799**

Other liabilities essentially consist of auxiliary accounts of the banking business in the amount of euro 238,592 thousand (2022: euro 18,537 thousand), taxes and fiscal liabilities in the amount of euro 26,027 thousand (2022: euro 21,033 thousand), liabilities to employees in the amount of euro 24,483 thousand (2022: euro 17,645 thousand) as well as deferrals and trade payables in the amount of euro 23,398 thousand (2022: euro 15,965 thousand).

The increase in auxiliary accounts of the banking business is due to the liabilities to PSA Payment Services Austria GmbH (PSA), which have been reported under other liabilities since June 2023. With effect from 12 June 2023, PSA has assumed the clearing business of GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H. (GSA) and has carried out a technological transformation in the course of modernising the clearing process. As GSA is a subsidiary of OeNB, the liabilities were reported as amounts owed to credit institutions until the clearing business was taken over by PSA.

In addition to derivatives that are used for hedge accounting in accordance with IFRS 9, the position Negative fair values of derivative instruments also includes derivatives in the amount of eur 17,634 thousand (2022: eur 9,045 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 2023		31 Dec 2022	
Euro thousand	**Fair value hedge**	**Cash flow hedge**	**Fair value hedge**	**Cash flow hedge**
Interest rate related transactions	252,888	713	262,847	996
Negative fair values of derivative instruments	**252,888**	**713**	**262,847**	**996**

33) Subordinated liabilities

Euro thousand	31 Dec 2023	31 Dec 2022
Subordinated capital	448,641	451,719
Supplementary capital	1,745	2,343
Subordinated liabilities	**450,386**	**454,062**

Subordinated liabilities are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	8,061	55
Up to 1 year	5,000	6,346
Up to 5 years	425,299	439,301
More than 5 years	12,026	8,360
Subordinated liabilities	**450,386**	**454,062**

Cash inflow and cash outflow of subordinated liabilities

Euro thousand	Subordinated liabilities
As at 01 Jan 2022	**494,160**
Cash inflow	0
Cash outflow	-40,373
Non-cash changes	
Others	275
Total non-cash changes	275
As at 31 Dec 2022	**454,062**
Cash inflow	0
Cash outflow	-6,800
Non-cash changes	
Others	3,124
Total non-cash changes	3,124
As at 31 Dec 2023	**450,386**

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. In the 2023 financial year, Volksbank Salzburg eG reduced the base amount by 70 % following approval by the ECB. 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.

Repurchase of own shares

As part of the implementation of the structural simplification concept for the event of a crisis in the Association of Volksbanks, VBW concluded a purchase agreement for a total of 19,974 own shares with a face value of euro 1,873 thousand, corresponding to 1.36 % of the shares in VBW, at a purchase price of euro 9,000 thousand, which will be settled in three tranches. In 2023, 6,658 shares were bought back into the company's own portfolio as the first tranche under this purchase agreement. The other tranches are due in 2024 and 2025. Equity as at 31 December 2023 was therefore reduced by the present value of the shares repurchased and to be repurchased in the amount of euro 8,646 thousand, which reduced retained earnings and other reserves by the difference between the present value and the face value in the amount of euro 6,774 thousand. The interest expense from compounding the liability recognised amounts to euro -149 thousand for the 2023 financial year.

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

Euro thousand	Retained earnings	Other reserves: IAS 19 reserve	Other reserves: Revaluation reserve	Other reserves: Fair value reserve - equity instruments	Other reserves: Fair value reserve - debt instruments	Other reserves: Cash flow hedge reserve	Other reserves: Own credit risk reserve	Retained earnings and other reserves
As at 01 Jan 2022	**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							-768
Change in cooperative capital and participation capital	-81							-81
Repurchase own shares	0							0
Reclassification fair value reserve due to sale	565			-565				0
Change due to reclassification 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**
Consolidated net income	326,308							326,308
Other comprehensive income	9	-3,521	251	30,007	2,708	2,631	938	33,023
Dividends paid	-6,194							-6,194
Coupon for the AT1 emission	-17,050							-17,050
Changes scope of consolidation	-35							-35
Change in cooperative capital and participation capital	-4,692							-4,692
Repurchase own shares	-6,774							-6,774
Reclassification fair value reserve due to sale	-13,489			13,489				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	99							99
As at 31 Dec 2023	**2,619,463**	**-16,174**	**2,545**	**-864,332**	**-4,947**	**1,871**	**1,899**	**1,740,325**

Return on total assets

The return on total assets for the business year 2022 was 1.1 % (2022: 0.4 %) and was calculated as the ratio of the annual result after taxes to total assets as at the reporting date.

Non-controlling interests

In the 2023 financial year, the shares in VOBA Vermietungs- und Verpachtungsges.m.b.H. (VOBA), which had previously been held by third parties, were purchased by VBW.

The non-controlling interests in the companies Gärtnerbank Immobilien GmbH, GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH and VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H. were based on VOBA's direct and indirect shares in these companies.

As a result, all non-controlling interests in the Association were disposed of with the purchase of the non-controlling interests in VOBA by VBW.

Company name	Minority interest 2023	2022	Assignment
Gärtnerbank Immobilien GmbH; Wien	0.000 %	<0,001 %	Other companies
GB IMMOBILIEN Verwaltungs- und Verwertungs- GmbH; Wien	0.000 %	<0,001 %	Other companies
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	0.000 %	1.000 %	Other companies
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.; Wien	0.000 %	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 interests

Euro thousand	Other companies 2023	2022
Assets		
Loans and receivables credit institutions	0	6,156
Loans and receivables customers	0	214
Other assets	0	15,321
Total assets	**0**	**21,691**
Liabilities and Equity		
Amounts owed to credit institutions	0	2,864
Other liabilities	0	2,220
Equity	0	16,606
Total liabilities	**0**	**21,691**
Statement of comprehensive income		
Interest and similar income	0	13
Interest and similar expense	0	-117
Net interest income	0	-103
Rental income from investment property and operating lease	0	443
Result before taxes	0	4,038
Income taxes	0	-245
Result after taxes	0	3,793
Comprehensive income	**0**	**3,793**

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, breaks down als follows:

Euro thousand	31 Dec 2023	31 Dec 2022
Common Tier 1 capital: Instruments and reserves		
Capital instruments including share premium accounts	781,709	786,904
Retained earnings	1,923,206	1,668,483
Accumulated other comprehensive income (and other reserves)	-195,457	-268,910
Common Tier 1 capital before regulatory adjustments	2,509,457	2,186,476
Common Tier 1 capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-869	-1,373
Cash flow hedge reserve	-1,871	760
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-1,899	-961
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	5	11
Value adjustments due to the requirement for prudent valuation	-1,330	-1,275
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-56,460	-34,044
Insufficient coverage for non-performing exposures	-5,867	-4,407
Other foreseeable tax charges	-201	-210
Regulatory adjustments - transitional provisions	20,525	44,045
Adjustments to be made due to transitional regulations under IFRS 9	20,525	44,045
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET1 deductions pursuant to article 3 CRR	-129,449	-163,927
Total regulatory adjustments	-177,416	-161,381
Common equity Tier 1 capital - CET1	**2,332,041**	**2,025,095**
Additional Tier 1 capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional Tier 1 capital before regulatory adjustments	220,000	220,000
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional Tier 1 capital - AT1	**220,000**	**220,000**
Tier 1 capital (CET1 + AT1)	**2,552,041**	**2,245,095**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts	319,495	408,640
Tier 2 capital before regulatory adjustments	319,495	408,640
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier 2 capital - T2	**319,495**	**408,640**
Own funds total - TC (T1 + T2)	**2,871,536**	**2,653,735**

Common equity Tier 1 capital ratio	15.32 %	14.24 %
Tier 1 capital ratio	16.77 %	15.79 %
Equity ratio	18.87 %	18.66 %
each in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR breaks down as follows:

Euro thousand	31 Dec 2023	31 Dec 2022
Risk weighted exposure amount - credit risk	13,762,343	12,915,070
Total risk exposure amount - settlement risk	0	109
Total risk exposure amount for position, foreign exchange and commodities	27,599	20,971
Total risk exposure amount for operational risk	1,419,566	1,268,662
Total risk exposure amount for credit valuation adjustment (cva)	8,932	13,135
Total risk exposure amount	**15,218,439**	**14,217,946**

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

Euro thousand	31 Dec 2023	31 Dec 2022
Common Tier 1 capital: Instruments and reserves		
Capital instruments including share premium accounts	781,709	786,904
Retained earnings	1,923,206	1,668,483
Accumulated other comprehensive income (and other reserves)	-195,457	-268,910
Common Tier 1 capital before regulatory adjustments	2,509,457	2,186,476
Common Tier 1 capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-869	-1,373
Cash flow hedge reserve	-1,871	760
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	-1,899	-961
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	5	11
Value adjustments due to the requirement for prudent valuation	-1,330	-1,275
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-56,460	-34,044
Insufficient coverage for non-performing exposures	-5,867	-4,407
Other foreseeable tax charges	-201	-210
Additional CET1 deductions pursuant to article 3 CRR	-129,449	-163,927
Total regulatory adjustments	-197,941	-205,426
Common equity Tier 1 capital - CET1	**2,311,516**	**1,981,050**
Additional Tier 1 capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional Tier 1 capital before regulatory adjustments	220,000	220,000
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional Tier 1 capital - AT1	**220,000**	**220,000**
Tier 1 capital (CET1 + AT1)	**2,531,516**	**2,201,050**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts	319,495	408,640
Tier 2 capital before regulatory adjustments	319,495	408,640
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier 2 capital - T2	**319,495**	**408,640**
Own funds total - TC (T1 + T2)	**2,851,011**	**2,609,690**

Common equity Tier 1 capital ratio	15.21 %	13.98 %
Tier 1 capital ratio	16.65 %	15.53 %
Equity ratio	18.75 %	18.41 %
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 2023	31 Dec 2022
Risk weighted exposure amount - credit risk	13,745,961	12,871,025
Total risk exposure amount - settlement risk	0	109
Total risk exposure amount for position, foreign exchange and commodities	27,599	20,971
Total risk exposure amount for operational risk	1,419,566	1,268,662
Total risk exposure amount for credit valuation adjustment (cva)	8,932	13,135
Total risk exposure amount	**15,202,057**	**14,173,901**

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 the 2023 financial year, 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 2023					
Liquid funds	3,434,659	0	0	3,434,659	3,434,659
Loans and receivables credit institutions (gross)	234,134	0	0	234,134	
Loans and receivables credit institutions less accumulated impairment	234,134	0	0	234,134	225,869
Loans and receivables customers (gross)	22,740,145	0	390,007	23,130,152	
Accumulated impairment	-211,702	0	0	-211,702	
Loans and receivables customers less accumulated impairment	22,528,444	0	390,007	22,918,450	22,504,941
Assets held for trading	0	0	24,931	24,931	24,931
Financial investments (gross)	2,825,755	96,414	3,608	2,925,777	
Financial investments less accumulated impairment	2,825,755	96,414	3,608	2,925,777	2,850,704
Participations	0	163,833	0	163,833	163,833
Derivative instruments	0	0	249,795	249,795	249,795
Financial assets total	**29,022,992**	**260,248**	**668,341**	**29,951,581**	**29,454,733**
Amounts owed to credit institutions	811,615	0	0	811,615	784,971
Amounts owed to customers	22,179,542	0	0	22,179,542	22,245,813
Debts evidenced by certificates	3,210,454	0	70,126	3,280,580	3,269,249
Lease liabilities	170,410	0	0	170,410	170,410
Liabilities held for trading	0	0	22,967	22,967	22,967
Derivative instruments	0	0	271,235	271,235	271,235
Subordinated liabilities	450,386	0	0	450,386	440,965
Financial liabilities total	**26,822,407**	**0**	**364,327**	**27,186,734**	**27,205,610**
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	
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**

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 2023				
Loans and receivables customers	0	0	390,007	390,007
Assets held for trading	4,016	20,915	0	24,931
Financial investments	98,757	1,265	0	100,023
Fair value through profit or loss	3,021	587	0	3,608
Fair value through OCI	95,736	678	0	96,414
Participations	0	0	163,530	163,530
Fair value through OCI - designated	0	0	163,530	163,530
Derivative instruments	0	249,795	0	249,795
Financial assets total	**102,773**	**271,975**	**553,536**	**928,285**
Debts evidenced by certificates	0	0	70,126	70,126
Liabilities held for trading	0	22,967	0	22,967
Derivative instruments	0	271,235	0	271,235
Financial liabilities total	**0**	**294,201**	**70,126**	**364,327**
31 Dec 2022				
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**

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 (2022: euro 304 thousand) are measured at cost as their fair value cannot be reliably determined.

When determining fair 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 2023, 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 and liabilities

Euro thousand	Loans and receivables credit institutions	Loans and Receivables customers	Participations	Financial assets total	Debts Evidenced by certificates	Financial liabilities total
As at 01 Jan 2022	**58**	**346,154**	**130,270**	**476,483**	**86,179**	**86,179**
Change in the scope of consolidation	0	0	35	35	0	0
Reallocation to level 3	0	0	14	14	0	0
Additions	0	122,005	19	122,023	1,020	1,020
Disposals	-59	-58,486	-3,636	-62,181	-1,000	-1,000
Valuation						
Through profit or loss	0	-13,309	0	-13,308	-18,132	-18,132
Through OCI	0	0	-108	-108	-766	-766
As at 31 Dec 2022	**0**	**396,364**	**126,594**	**522,958**	**67,301**	**67,301**
Change in the scope of consolidation	0	0	0	0	0	0
Reallocation to level 3	0	0	0	0	0	0
Additions	0	36,797	740	37,537	1,078	1,078
Disposals	0	-40,613	-1,447	-42,059	0	0
Valuation						
Through profit or loss	0	-2,542	0	-2,542	2,949	2,949
Through OCI	0	0	37,643	37,643	-1,202	-1,202
As at 31 Dec 2023	**0**	**390,007**	**163,530**	**553,536**	**70,126**	**70,126**

The valuations shown in the table above are included in the item Income from financial instruments and investment properties (income statement) or the 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 -5,097 thousand (2022: euro 5,316 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.

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 2023 Euro thousand	Positive change in fair value	Negative change in fair value
Change in markup +/- 30 bp	1,471	-2,954
31 Dec 2022		
Change in markup +/- 30 bp	1,613	-1,586

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 2023					
Liquid Funds	0	3,434,659	0	3,434,659	3,434,659
Loans and receivables credit institutions (gross)					234,134
Loans and receivables credit institutions less accumulated impairment	0	0	225,869	225,869	234,134
Loans and receivables customers (gross)					22,740,145
Accumulated impairment					-211,702
Loans and receivables customers less accumulated impairment	0	0	22,114,934	22,114,934	22,528,444
Financial investments (gross)					2,825,755
Financial investments less accumulated impairment	2,743,720	6,962	0	2,750,682	2,825,755
Financial assets total	**2,743,720**	**3,441,621**	**22,340,804**	**28,526,145**	**29,022,992**
Amounts owed to credit institutions	0	0	784,971	784,971	811,615
Amounts owed to customers	0	0	22,245,813	22,245,813	22,179,542
Debts evidenced by certificates	0	0	3,199,123	3,199,123	3,210,454
Lease liabilities	0	0	170,410	170,410	170,410
Subordinated liabilities	0	0	440,965	440,965	450,386
Financial liabilities total	**0**	**0**	**26,841,282**	**26,841,282**	**26,822,407**
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**

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, the 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	**Up to**	**Up to**	**Up to**	**More than**		
2023	**3 months**	**1 year**	**5 years**	**5 years**	**Total**	**31 Dec 2023**
Interest related transactions	32,676	562,284	4,266,973	3,408,180	8,270,112	-6,046
Caps & Floors	976	4,074	78,101	68,241	151,392	-707
Interest rate swaps	31,700	558,210	4,188,872	3,339,939	8,118,721	-5,339
Exchange rate related transactions	91,123	187,426	105,558	104,560	488,666	-13,979
Cross currency interest rate swaps	0	155,699	105,558	104,560	365,816	-11,671
FX swaps	91,123	31,727	0	0	122,850	-2,308
Forward exchange transactions	0	0	0	0	0	0
Other transactions	5,610	4,897	0	52,432	62,940	-3,466
Options	5,610	4,897	0	52,432	62,940	-3,466
Total	**129,409**	**754,607**	**4,372,530**	**3,565,172**	**8,821,718**	**-23,491**
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	-1,064
FX swaps	126,187	5,765	0	0	131,952	-1,922
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**

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

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

Euro thousand 2023	Assets	Liabilities	Total
Interest related transactions	20,915	22,967	-2,051
Trading portfolio	**20,915**	**22,967**	**-2,051**
Interest related transactions	249,741	253,736	-3,995
Exchange rate related transactions	5	13,984	-13,979
Other transactions	49	3,515	-3,466
Other assets / liabilities	**249,795**	**271,235**	**-21,440**
Total	**270,710**	**294,201**	**-23,491**
Sum interest related transactions	270,657	276,703	-6,046
Sum exchange rate related transactions	5	13,984	-13,979
Sum other transactions	49	3,515	-3,466

Euro thousand 2022	Assets	Liabilities	Total
Interest related transactions	25,048	27,835	-2,787
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

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 2023, 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 -1,473 thousand at the Association of Volksbanks in the 2023 financial year (2022: euro -909 thousand), whereas the face value of the hedged items as at 31 December 2023 amounts to a total of euro 7,308,195 thousand (2022: euro 4,718,209 thousand). Ineffectiveness therefore corresponds to only 0.02 % (2022: 0.02 %) 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 2023	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
Loans and receivables customers	0	250,000	235,800	1,321,653	1,807,453
Financial investments	9,500	22,000	866,850	1,020,650	1,919,000
Amounts owed to customers	0	0	0	20,000	20,000
Debts evidenced by certificates	0	185,000	2,794,350	587,000	3,566,350
31 Dec 2022					
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

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 2023	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
Loans and receivables customers	0	0	0	101,388	101,388
31 Dec 2022					
Loans and receivables customers	0	0	0	4,973	4,973

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 2023	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	1,807,453	86,993	25,842	-76,424	100
Financial investments measured at amortised cost	1,919,000	77,051	100,156	-89,005	-1,259
Amounts owed to customers	20,000	515	2	632	-1
Debts evidenced by certificates and subordinated liabilities-bonds measured at amortised cost	3,566,350	72,489	126,888	131,237	-315
Interest rate swaps total	**7,312,803**	**237,048**	**252,888**	**-33,559**	**-1,473**
31 Dec 2022					
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 and subordinated liabilities-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**

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

Euro thousand 31 Dec 2023	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	1,807,445	0	-62,674	76,524	0
thereof loans and receivables customers hedged with portfolio hedges	1,800,442	0	-62,154	76,194	0
Financial investments measured at amortised cost	1,908,923	0	16,397	87,746	0
Amounts owed to customers	0	20,000	395	-633	0
thereof amounts owed to customers hedged with portfolio hedges	0	20,000	395	-633	0
Debts evidenced by certificates and subordinated liabilities-bonds measured at amortised cost	0	3,556,107	-71,338	-131,552	2,078
Hedged items of interest rate swaps total	**3,716,369**	**3,576,107**	**-117,220**	**32,085**	**2,078**
31 Dec 2022					
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 and subordinated liabilities-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**

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 2023	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	0	0
Cross currency interest rate swaps total	**0**	**0**	**0**	**0**	**0**
31 Dec 2022					
Financial investments measured at amortised cost	0	0	0	-3	-169
Cross currency interest rate swaps total	**0**	**0**	**0**	**-3**	**-169**

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

Euro thousand 31 Dec 2023	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	0	0
Hedged items of cross currency interest rate swaps total	**0**	**0**	**0**	**0**	**0**
31 Dec 2022					
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**

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 2023	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	101,388	3,183	713	2,779	148	2,057	574
Interest rate swaps total	**101,388**	**3,183**	**713**	**2,779**	**148**	**2,057**	**574**
31 Dec 2022							
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**

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

Euro thousand 31 Dec 2023	Carrying amount assets	Changes in value used for calculating hedge ineffectiveness for the current year
Loans and receivables customers measured at amortised cost	101,388	0
Hedged items of interest rate swaps total	**101,388**	**0**
31 Dec 2022		
Loans and receivables customers measured at amortised cost	4,973	0
Hedged items of interest rate swaps total	**4,973**	**0**

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

Euro thousand 31 Dec 2023	Interest rate risk
Financial assets	3,817,757
Financial liabilities	3,576,107
31 Dec 2022	
Financial assets	2,529,917
Financial liabilities	2,185,774

39) Assets and liabilities denominated in foreign currencies

At the balance sheet date, assets denominated in foreign currencies totalled euro 537,155 thousand (2022: euro 587,247 thousand), whereas liabilities denominated in foreign currencies amounted euro 204,589 thousand (2022: euro 148,805 thousand).

40) Trust transactions

Euro thousand	31 Dec 2023	31 Dec 2022
Trust assets		
Loans and receivables customers	69,867	70,752
Other assets	869	128
Trust liabilities		
Amounts owed to customers	69,867	70,752
Other liabilities	869	128

41) Subordinated assets

Euro thousand	31 Dec 2023	31 Dec 2022
Loans and receivables customers	0	600

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

Euro thousand	31 Dec 2023	31 Dec 2022
Assets pledged as collateral		
Loans and receivables customers	532,498	490,786
Financial investments	7,783	10,328
Liabilities for which assets have been pledged as collateral		
Amounts owed to credit institutions	532,498	490,786
Amounts owed to customers	7,783	10,328

In the context of corporate funding via Oesterreichische Kontrollbank (OeKB), loans and receivables customers in the amount of euro 52 million (2022: euro 60 million) have been provided as collaterals. 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 481 million were provided as collateral for OeNB refinancing in the 2023 business year (2022: euro 430 million).

Within the scope of gilt-edged savings deposits, financial investments in the amount of euro 8 million (2022: euro 10 million) are held as securities.

43) Contingent liabilities and credit risks

Euro thousand	31 Dec 2023	31 Dec 2022
Contingent liabilities		
Liabilities arising from guarantees	638,477	702,944
Others (amounts guaranteed)	24,589	24,612
Commitments		
Unutilised loan commitments	3,029,931	3,458,162

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 11,963 thousand (2022: euro 8,620 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 any 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 2023, the Association as pledgor had buy-back commitments under genuine repurchase agreements in the amount of euro 0 thousand (2022: euro 19,978 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 2023				
Loans and receivables customers	3,663	6,517	0	0
Bonds and other fixed-income securities	0	0	0	0
Amounts owed to customers	8,992	7,734	33,291	0
Provisions	6	0	4	0
Contingent liabilities arising from guarantees	1,500	0	11,094	0
Transactions	13,437	24,801	28,170	0
Administrative expenses	-480	-3,628	0	0
Other operating income	551	44	199	0
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

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 the figures are positive or negative (plus/minus).

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 the balance sheet date.

In the previous year, the Republic of Austria as a shareholder of VBW exercised a significant influence on the VBW Group until the retransfer of the shares. Only limited toinformation on related parties is provided for securities ofissued by the issuer 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 receivables granted to key management personnel during the business year

Euro thousand	31 Dec 2023	31 Dec 2022
Outstanding loans and receivables	2,635	2,264
Redemptions	156	235
Interest payments	58	51

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 2023			
Covered bonds			
Amortised cost	4,511,700	297,840	4,213,860
Fair value through profit or loss	772,551	51,000	721,551
Total	**5,284,251**	**348,840**	**4,935,411**
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**

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 2023	31 Dec 2022
Branches domestic	**232**	**236**

48) Subsequent events

With the approval of the European Central Bank dated 29 February 2024, VBW will exercise its call right pursuant to Section 5(3) of the Terms and Conditions of the Notes and call the AT1 issue on 9 April 2024 (“Call Redemption Date”) in full at 100 % of the face value (“Redemption Amount”).

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 tasks 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 housing construction is another 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.

1-12/2023

Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	-2,294	184,631	101,458	77,152	46,200
Risk provision	1,129	-30,008	-15,519	-7,758	-1,180
Net fee and comission income	-4,352	68,392	36,507	26,181	15,812
Net trading income	3,223	179	491	146	173
Result from financial instruments and investment properties	-369	907	-504	605	307
Other operating result	185,724	4,321	239	-605	-2,021
General administrative expenses	-156,505	-142,235	-82,708	-57,234	-37,268
Result from companies measured at equity	0	2,736	0	0	0
Annual result before taxes	**26,557**	**88,922**	**39,963**	**38,486**	**22,023**
Income taxes	15,239	6,467	-9,909	-4,550	-6,489
Annual result after taxes	**41,795**	**95,388**	**30,054**	**33,936**	**15,534**
31 Dec 2023					
Total assets	**9,438,089**	**6,932,437**	**3,719,667**	**2,823,796**	**1,551,822**
Loans and receivables customers	40,876	5,788,031	3,065,935	2,393,408	1,220,011
Companies measured at equity	0	50,111	6,565	4,577	5,742
Amounts owed to customers	940,728	5,613,899	3,154,508	2,051,726	1,381,397
Debts evidenced by certificates, including subordinated liabilities	3,630,520	94,474	1,701	1,300	6,789

1-12/2022

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	155,847	-12,788	-15,012	-10,187	-4,920
General administrative expenses	-137,105	-124,277	-71,006	-52,387	-34,281
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

Upper Austria	Salzburg	Tyrol	Vorarlberg	ÖÄAB	Consolidation	Total
59,869	87,321	84,376	35,803	30,564	-1	705,080
-4,339	-4,061	2,303	-3,449	-2,121	0	-65,005
28,213	31,512	35,460	17,946	8,546	-1,860	262,359
227	-6	204	696	-19	0	5,314
-562	1,519	344	-7	144	-3,472	-1,090
143	-167	-1,163	-810	-427	-194,135	-8,902.00
-57,988	-63,741	-70,133	-41,179	-22,677	195,981	-535,687
0	0	0	0	0	0	2,736
25,563	**52,377**	**51,391**	**9,001**	**14,009**	**-3,488**	**364,805**
-5,836	-13,914	-12,549	-3,736	-3,223	5	-38,497
19,727	**38,463**	**38,843**	**5,265**	**10,786**	**-3,482**	**326,308**
2,598,664	**3,095,040**	**3,495,050**	**1,988,499**	**1,095,275**	**-6,256,636**	**30,481,704**
2,120,537	2,516,907	2,961,904	1,729,767	909,935	-9,181	22,738,130
16,253	10,358	43	20	5,317	0	98,987
2,204,431	2,458,459	2,298,670	1,196,987	902,256	-23,124	22,179,937
0	14,692	7,223	17,435	0	-43,167	3,730,967

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
-8,319	-4,446	-13,986	-5,650	-4,468	-160,619	-84,549
-51,460	-55,622	-59,991	-36,098	-19,235	162,236	-479,227
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

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 self assesment process:

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

Current developments

The consolidated own funds under 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 2023, this results in a combined buffer requirement (CBR) for the Association of Volksbanks of 3.79 % (capital conservation buffer of 2.50 %, systemic risk buffer of 0.50 %, buffer for systemically important institutions of 0.75 %, countercyclical buffer (CCyB) of 0.04 %). The capital buffers must be met in full with CET1 capital and they relate to total risk.

The Association of Volksbanks again submitted to the annual SREP (Supervisory Review and Evaluation Process) within the scope of the Single Supervisory Mechanism (SSM) of the ECB. This resulted in a Pillar 2 Requirement (P2R) of 2.50 % at the consolidated level as at 31 December 2023.

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 Pillar 2 Guidance must be met entirely with Common Equity Tier 1 (CET1) and has no impact on the maximum distributable amount (MDA).

The CET 1 Demand increased by 0.29 percentage points year-on-year (increase of buffer for systemically important institutions from 0.50 % to 0.75 % as well as increase of countercyclical buffer from 0.00 % to 0.04 %).

Based on the SREP decision of December 2022 and taking into account the changed composition of the additional own funds requirement (P2R) under CRD V, the capital requirements and capital guidances for the Association of Volksbanks as at 31 December 2023 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 2023**	**31 Dec 2022**
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)	**3.79 %**	**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)	0.75 %	0.50 %
Countercyclical capital buffer (CCyB)	0.04 %	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	**9.70 %**	**9.41 %**
Total Tier1 requirement	**11.67 %**	**11.38 %**
Total capital requirement	**14.29 %**	**14.00 %**
Pillar 2 Guidance	**1.25 %**	**1.25 %**
CET1 minimum guidance	10.95 %	10.66 %
Tier1 minimum guidance	12.92 %	12.63 %
Total own funds guidance	15.54 %	15.25 %

During the 2023 financial year, the Association of Volksbanks complied with the minimum capital requirements and/or capital guidances resulting from the SREP.

The result of the Supervisory Review and Evaluation Process (SREP) of November 2023 was forwarded to VBW as the central organisation of the Association of Volksbanks in the official SREP decision of 2023. As of 1 January 2024, the SREP requirement (P2R) decreases by 0.25 percentage points from 2.50 % to 2.25 %. The SREP guidance (P2G) remains unchanged at 1.25 % compared to the reporting year. The buffer for systemically important institutions (O-SIIB) at consolidated level will increase from 0.75 % to 0.90 % in 2024.

Risk policy principles

The risk policy principles comprise the standards for the management of risks that are applicable within the Association of Volksbanks and are defined by the CO Managing Board together with the risk appetite. A common set of rules and understanding of risk management across the Association is the basis for developing risk awareness and a risk culture within the Company. The Association of Volksbanks carries on its activities subject to the principle that risks will only be accepted to the extent this is required to achieve strategic business goals. 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 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 for sound risk management, the Risk Appetite Framework (RAF) for the Association of Volksbanks is continuously refined to define the risk appetite or the degree of risk tolerance that the Association of Volksbanks is willing to accept in order to achieve its defined objectives. 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 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 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 positions in the banking book, with a view to optimising risk and return, and to securing refinancing in the long term.

The CC is the body responsible for credit decisions based on applicable definitions of responsibilities, for approving action plans for customers undergoing restructuring or debt enforcement (workout), 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 capital 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

Through its internal liquidity and capital adequacy process, the Association of Volksbanks takes all necessary measures to ensure that all risks arising from current and planned business activities of the Association of Volksbanks are matched by adequate liquidity and capital resources at all times. The detailed design of the Internal Capital & Liquidity Adequacy Assessment process depends on the regulatory requirements and supervisory expectations of the ECB as well as on internal guidelines.

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure rules pursuant to Regulation (EU) no. 575 / 2013 (CRR) and Directive 2013/36/EU (CRD IV), as well as the applicable Regulation (EU) no. 2019/876 (CRR II) and Directive no. 2019/878 (CRD V) on the bank's own website under Volksbanken-Verbund / Verbund-Offenlegung (Association of Volksbanks/Disclosure).

Risk management across the Association

The Risk Control function of VBW as CO is responsible for risk governance, methods and models for strategic risk management issues across the Association, as well as the regulations for control at portfolio level. For the purpose of performing its steering function, the CO has issued General Instructions (GI) for the affiliated banks. The GI RAF (Risk Appetite Framework), GI ICAAP, GI ILAAP, GI Principles of Credit Risk Management (GI CRM) and the downstream manuals of the Association govern the risk management activities 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 currently prevailing basic conditions by the Risk Control unit 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 process of 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 activities 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 (E=Environment, S=Social, G=Governance) respective sustainability 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 are continuously developed 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.

Additionally, ESG risks are 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 a consistent framework 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 environment. It provides the rules for the management of risks and ensures risk-bearing capacity within the Association of Volksbanks at all times. The risk strategy is prepared in the course of business planning. The contents of the risk strategy and of the business planning of the Association of Volksbanks are linked up by incorporating the targets of the Risk Appetite Statement in the GI Strategy, 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 also includes a sub-risk strategy for ESG risks. It maps the ESG risks inherent in the existing risk types, which can be derived 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. Moreover, a comprehensive set of additional RAS indicators is considered regularly.

The risk appetite, meaning the indicators of the RAS, is/are derived from the business model, the current risk profile, the risk capacity and the revenue expectations and/or the strategic planning process.The limit system broken down by risk subtypes and the RAS provide the framework for the maximum risk that the Association of Volksbanks is ready to accept to achieve its strategic targets. As a rule, the RAS indicators are provided with a target, a trigger and a limit value and are monitored on a current basis, as are the aggregate bank and partial 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 more detailed RAS indicators:

- Capital-based ratios (e.g. CET1 ratio, T1 ratio, TC ratio, utilization of risk-bearing capacity)
- Credit risk ratios (e.g. NPL ratio, coverage ratio, foreign customer exposure, forbearance ratio, sector concentrations)
- Market/liquidity risk ratios (e.g. LCR, NSFR, survival period, asset encumbrance ratio, interest rate coefficients)
- Ratios relating to operational risk (e.g. OpRisk losses in proportion to CET1, ICS implementation rate)
- Other risk-relevant ratios (e.g. Cost Income Ratio, leverage ratio, compliance risk, IT system availability)

Risk-bearing capacity statement

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

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

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

The regulatory Pillar 1 perspective compares the total risk exposure amount calculated in accordance with applicable legal provisions with regulatory own funds. Ensuring regulatory risk-bearing capacity is 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 capital adequacy. The risk-bearing capacity under the economic perspective derives from a comparison of economic risks with internal capital. Economic risks are risks that may impair the economic value of the bank, and hence may negatively affect the adequacy of capital resources under an economic perspective. During quantification of economic risks, internal procedures – normally “value at risk” (VaR) – with a confidence level of 99.9 % and a time horizon of one year are resorted to. In doing so, all quantifiable risks are taken into account that were identified as material within the scope of the risk inventory process. Own funds available for loss absorption upon continuation of business activities (usually CET1 capital) as well as the result achieved in the current financial year, reduced by deductions for strategic risks, any hidden burdens and any distribution requirements are recognised as risk covering potential. The aggregate bank risk limit is set at 95 % of available internal capital. The prerequisite for capital adequacy under an economic perspective is that the internal capital is 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 income statement and own funds positions over three years. In the process, the strategic planning as well as various crisis scenarios are simulated and the development of regulatory own funds ratios calculated taking into account the effects of the relevant scenario. Therefore, the key parameters of the normative perspective are the regulatory own funds ratios CET1, Tier 1 and total capital.

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 – among others – can be identified and analysed.

Apart from these risk-type-specific stress tests and sensitivity analyses, internal stress tests are regularly carried out across risk types. The regular 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 risk aspect, the effects of crisis scenarios on regulatory own funds and the internal capital under the economic perspective are determined as well. At this point, the requirements of the normative perspective overlap with the requirements regarding scenario analyses for the internal stress test: the development of regulatory own funds ratios is simulated for various crisis scenarios over a period of several years. Based on the findings of the internal stress tests, recommended actions are defined and transposed into measures if necessary.

ESG-related scenarios (especially with regard to climate and environmental risks) have also been calculated as part of the internal stress test in order to identify and assess the ESG risks inherent in the existing portfolio as early as possible. 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.

At present, EU-wide stress tests across risk types are being carried out by the EBA/ECB every two years, with the Association of Volksbanks participating. An EBA/ECB stress test was carried out again in 2023. 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, and 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 the significant risks and containing comprehensive qualitative and quantitative information. The aggregate bank risk report provides the CO Managing Board with management-related information on a monthly basis and is sent 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. This recovery plan is updated at least once a year and takes into account changes in the bank’s 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 Credit Risk Management Restructuring & Workout division is responsible for operational credit risk management. 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.
- Provisions under the FMA's ordinance regarding real estate financing measures by credit institutions (KIM-VO) for newly agreed private real estate financing transactions are complied with and have been separately monitored since their taking effect.
- 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 credits 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 instances are taken strictly observing the dual-control principle, with clear processes having been established for the cooperation between the risk management units in the CO and the members of the Association of Volksbanks. For transactions involving large volumes, processes have been set up that ensure the involvement of operational CO credit risk management and of the CO Managing Board in the risk analysis and/or loan decision. Limit systems play an important role in this context, as they provide a framework for the decision-making powers of the individual units.

Monitoring of exposures and collaterals

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

Limits

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

Within the Association of Volksbanks, the group of connected 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 function of the affiliated bank and is monitored by the Credit Risk Management function 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, intensified credit risk management means the special monitoring of customers with payment difficulties and/or customers threatened by default. Among others, intensified credit risk management comprises processes relating to the early detection of customers threatened by default, the dunning procedure, forbearance processes, as well as default identification.

Early warning: 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 likely to default is governed within a uniform early warning system throughout the Association.

Dunning procedure: 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 estimation, 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 an even more detailed and, above all, more sector-specific management of the portfolio of the Association of Volksbanks over and above all the measures and limits already in place, industry sectors with a higher risk level are identified based on the results of the regular sector analyses, with a distinction being made between a regular, half-yearly process and an ad hoc process. Subsequently, the results of this analysis will be transferred to the existing EWS system, thus enabling sector-specific early warning.

Since 2022, separate requirements have been applying to new financing in those sectors that are particularly affected by an increase in energy costs.

Sustainability/ESG factors

CO_2 emissions: The association of credit institutions has based its determination of financed greenhouse gas emissions on the PCAF Standard (Partnership for Carbon Accounting Financials). This is an initiative supported by financial institutions aimed at enabling greenhouse gas emissions financed through loans and investments to be measured and disclosed consistently.

The PCAF Standard defines the requirements for determining the share of customer emissions that can be attributed to a certain financial institution. If available, the Scope 1, Scope 2 and Scope 3 emission data disclosed by the customers are used. If this information is not provided or is not available, no customer-specific calculations can be performed, but more general parameters need to be used. The underlying parameters required for the calculations are equally specified in the PCAF Standard.

For transactions in the Business Loans division where no company-specific Scope 1-3 emissions are available, the calculation approach followed the formula below: Financed emissions = on-balance sheet exposures x CO_2e emission intensity by sector. The emission data used for greenhouse gases (in CO_2e) for the Corporate sectors come from the Statistical Office of the European Commission (Eurostat) and are publicly available there per country and NACE code. For countries outside the European Union, the World Input-Output Database was used as data source.

For real estate loans, average CO_2 values are used for determining the financed emissions based on the type of building and its year of construction. For the average size and emission intensity of the respective building type, data from the Hotmaps project is used.

Transactions in the trading portfolio and derivatives in general are not included in the population (main unit), as in the PCAF framework, and are therefore not included in the calculation of financed emissions either.

PCAF requires the allocation of a quality score (1 best, 5 worst) for each calculation method at customer level or also transaction level. This way of procedure allows a weighted average of the quality score to be determined. Hence, this quality score provides information about the accuracy of the determination of greenhouse gas emissions and is 5 for the major part of the association of credit institutions due to the extent of available live data of companies still being low.

Physical risks: Currently, the physical risks to which the financed business partners of the Association of Volksbanks are exposed are regularly determined ex post. For this purpose, an externally developed model is used for Austrian-based companies and real estate located in Austria; this model determines results for the commonly used RCP models RCP 2.6, RCP 4.5, RCP 6.0 and RCP 8.5, if relevant data is available for the physical climate risks (up to 18). The Copernicus service, among others, which is proposed in the wording of the EU Taxonomy Regulation, serves as a data source for the models mentioned. For financed business partners that are not registered in Austria and for real estate not located in Austria, a data source of the World Bank (Think Hazard!) is used. This data source comprises up to 11 different physical risks, depending on the address and/or country. Moreover, the selection process for an IT tool, started in 2022, was completed, which allows the determination of physical risks to be integrated in the loan application process.

ESG score: Since autumn 2022 already, ESG factors have been taken into account in the lending process through the internal ESG score developed within the association of credit institutions, integrating the consideration of environmental, social and ethical governance risks and strengths in the process to reach a credit decision.

Based on data generated by the external IT tool (CO_2 emissions and physical risks) as well as the internal ESG score, initial KPIs are defined for 2024, and a monitoring process is implemented.

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 and/or their results also form the basis of portfolio management.

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

Rating systems

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

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

Concentrations

Quantification and valuation of the effects of concentrations across the Association 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, fair 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 is decisive 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. Hence, 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 of the Association will 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 levels (1A to 4E) plus 5 additional levels (5A to 5E) for defaulted customers. To each rating level, 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 will assess whether the default risk for a financial instrument has increased significantly since first-time recognition. To identify any significant increases in default risk, companies may combine financial instruments into groups based on common default risk properties, and in this way may carry out an analysis aimed at being able to promptly identify any significant increases in default risk. 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
- Sovereigns and international organisations rated by external rating agencies
- Other Exposures (mainly municipalities and other public-sector enterprises and organisations that are not dealt with using the usual rating systems for SME or Corporates)

For the segments Private Customers, SME and Corporates incl. special financing, the bank extracts long-term, representative samples of internal ratings and defaults that cover all material subsegments and rating categories. 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 Banks and Sovereign States segments, the bank uses long-term default studies of the external rating agencies to determine the lifetime PD by rating category. 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 forward-looking 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. In addition, further possible prognostic scenarios are defined that represent an outcome of the 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 a massive deterioration of 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 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.

A financial asset is considered to be in default (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 capital adequacy purposes (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 the 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.

Loans and receivables to borrowers the redemption of which is considered unlikely 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 upon 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 future-oriented 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 variable-yield 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 receivable 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 set 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 components 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. 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 undertaken (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 and the amount of collateral.

For certain portfolios, where the bank does not dispose of any, or any sufficient, historical default event data, an expert estimate will be effected. The following serve as a basis for the estimate:

- Regulatory benchmarks set down in the CRR
- Business scenario analyses
- External and internal research and documentation

Expected losses for financial instruments in 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 projected for the entire term of the instrument. The maturity coincides with 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 effected using the effective interest rate of the instrument.

Defaulted receivables

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. If required, additional scenarios are defined, weighted and used to map particularly positive (recovery or return to the performing portfolio) or particularly negative (complete loss in cases of workout) developments.

ECL is calculated as the difference between carrying amount of the financial instruments and the probability-weighted average present value of the return flows in both scenarios. Discounting is effected 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 LGD in the performing portfolio. The amount of the collateral, in particular, is 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.

Design of the macroeconomic scenarios

The design of the macroeconomic scenarios depends on the scenarios published by the ECB / OeNB. The individual relevant indicators and the scenarios used in the previous year (equally based on the scenarios published by the EZB / OeNB) are shown in the table below

Scenario	Period	GDP growth Austria	Spread to Germany (bp AT-DE 10J)	Unemployment Eurozone (change in bp)	GDP Growth Eurozone	Share prices Eurostoxx 50
	Macro model	Companies, private customers	Companies, states	Private customers, municipalities	Banks	Banks
Median value	2008-2021	1.2 %	26	-30	1.5 %	3.9 %
Worst case	2008-2021	-7.1 %	94	230	-6.5 %	-43.3 %
Balance sheet date 31 Dec 2022						
BASELINE 2022	2022/23	0.3 %	55	-36	0.6 %	9.9 %
BASELINE 2022	2023/24	3.1 %	48	-13	2.9 %	5.0 %
BASELINE 2022	2024/25	1.1 %	40	-3	1.6 %	5.0 %
ADVERSE 2022	2022/23	-7.6 %	70	29	-3.8 %	-12.1 %
ADVERSE 2022	2023/24	6.8 %	60	75	-0.5 %	11.7 %
ADVERSE 2022	2024/25	3.8 %	45	0	3.0 %	11.0 %
Balance sheet date 31 Dec 2023						
BASELINE 2023	2024	1.4 %	55	-7	1.5 %	5.0 %
BASELINE 2023	2025	1.8 %	50	-17	1.9 %	5.0 %
BASELINE 2023	2026	1.8 %	50	10	1.8 %	5.0 %
ADVERSE 2023	2024	-0.5 %	80	69	-0.4 %	-5.0 %
ADVERSE 2023	2025	0.9 %	90	50	1.0 %	-5.0 %
ADVERSE 2023	2026	1.4 %	90	10	1.4 %	0.0 %
POSITIV 2023	2024	2.6 %	50	-51	2.7 %	10.0 %
POSITIV 2023	2025	3.0 %	40	-30	3.1 %	8.0 %
POSITIV 2023	2026	2.3 %	35	-10	2.3 %	7.0 %

In the Baseline scenario, a halting economic recovery following various shocks as well as normalisation combined with high uncertainty are assumed. The stagnation of the GDP in Austria in 2023 is followed by a slight recovery in 2024 (forecast year 1) (+1.4 %). Owing to improved external contributions, to a consumption boom following wage adjustments in 2024, to investments due to companies adapting to higher, but stabilised energy prices, as well as to continued population growth, the GDP growth rate will increase to +1.8 % in forecast years 2 and 3 (2025 and 2026). As regards external shocks, the basic assumptions of the Baseline scenario include a soft landing or, at most, a very slight recession in the USA as well as the restriction of the geopolitical conflicts to Ukraine. The basic assumptions of the Baseline scenario have not changed against the previous year. Following very high GDP growth in Austria in the first 2 quarters of 2022, a significant cooling of the overall economic development was assumed in the previous year's Baseline scenario, which has materialised as expected. The further trends of Austrian GDP during forecast years 2 and 3 against the previous year are very similar overall, but somewhat more balanced now.

In the Baseline scenario, inflation dynamics shifts from commodities and energy to labour costs. The unemployment rate remains stable. The credit spreads (spreads between the 10-year Austrian and German government bonds) decline slowly to approx. 55 basis points in 2024 and to 50 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). By comparison with the previous year's Baseline scenario, these developments have not changed significantly.

In contrast to the previous year, the ECB and OeNB have not published any new Adverse scenario that is based on an energy shock. Instead, the ECB has published the sensitivities of euro zone GDP growth to an energy price index. These sensitivities are relatively low, confirming that a very strong and monocausal Adverse scenario, as the previous year's one, is no longer reasonable. Therefore, the Adverse scenario was designed as a deviation from Baseline. The adverse development is caused by a decoupling of inflationary expectations, for instance following new price peaks in the fields of energy, food and/or fertilisers, which may arise due to an intensification/expansion of the RU/UA war, extreme weather events, new trade disputes, whether related to geopolitics or not. In the Adverse scenario, a persistently restrictive interest rate policy of the ECB (incl. slight interest rate hikes) is assumed, which causes a slight, but persistent recession in Austria.The GDP will decrease by -0.5 % in 2024 again, and economic recovery is very slow (2025: +0.9 % GDP, 2026: +1.4 % GDP). In spite of scarcities in the labour market, the unemployment rate in the euro zone will increase throughout this period (2024: +69 basis points, 2025: +50 basis points, 2026: +10 basis points). The adverse effects on credit spreads add to this situation: they will increase to more than three times (90 basis points) the historical average by the end of the planning period.

As, in contrast to the previous year, the ECB and OeNB fail to define any monocausal Adverse scenario, publishing sensitivities in both directions – positive and negative – instead, an optimistic scenario was defined as at the most recent balance sheet date. This is due to a rapid decrease in core inflation and, starting in the USA as early as the first half of 2024, monetary easing by the central banks. Private households in Austria benefit greatly from delayed wage adjustments with simultaneously low inflation. BIP growth amounts to +2.6 % in 2024, +3.0 % in 2025, and +2.3 % in 2026. The unemployment rate and the credit spreads will decrease continuously throughout the forecast period (more or less inversely to the Adverse scenario).

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 average throughout 2023 (2022: below average). For other risk indicators, such as the forbearance ratio, a slightly positive (2022: neutral to slightly positive) development was observed as well. The NPL ratio within the Association increased by some 80 basis points from 1.7 % to approx. 2.5 % in 2023. This development is mainly due to individual idiosyncratic defaults in the field of commercial real estate. Therefore, the current risk situation of the portfolio of the Association does not indicate any material deterioration. Subsequently, the internal method for deriving the scenario weightings can basically be applied.

Scenario	Starting point for methodological weighting	Methodical weighting	Final weighting
		Rating migrations, industry composition, industry forecasts	Further geopolitical or macro-economic uncertainties
Balance sheet date 31 Dec 2022			
BASELINE 2022	80.0 %	68.0 %	25.0 %
ADVERSE 2022	20.0 %	32.0 %	75.0 %
POSITIV 2022	0.0 %	0.0 %	0.0 %
Balance sheet date 31 Dec 2023			
BASELINE 2023	60.0 %	48.0 %	25.0 %
ADVERSE 2023	20.0 %	35.0 %	75.0 %
POSITIV 2023	20.0 %	17.0 %	0.0 %

This internal method starts out from an approach based on three 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. The basic assumption has changed compared to the previous year, as the scenarios published by the ECB / OeNB in 2022 did not include any optimistic view, and accordingly it was assumed that the Baseline scenario subsumes the optimistic view.

Following this, indicators specific to the Association are determined to define an adjusted 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 2023 is slightly below-average in the sectors that are of key importance to the Association. These include the sectors real estate (properties and housing), gastronomy & tourism, as well as the construction sector, in particular. 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. Rating downgrades (especially the significant downgrades to 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 or slightly positive 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 48 % (2022: 68 %) for the Baseline scenario and of 35 % (2022: 32 %) for the Adverse scenario and 17 % (2022: 0 %) for the Optimistic scenario.

Due to current operational risk events in the Austrian real estate market and the persistent geopolitical and macroeconomic uncertainties, we have decided to choose an appropriate way of procedure and, instead of the weighting determined using the method described above, to opt for a weighting of 25 % Baseline and 75 % Adverse as in the previous year. The one-time effect from this adjustment of the scenario weighting thus amounts to around euro 18.5 million in allocations to risk provisions in the performing portfolio (2022: euro 46.5 million). In combination (scenario design and scenario weighting), a reversal of approximately euro 45 million is taken into account in the 2023 financial statements

(2022: allocation of euro 67.0 million due to the very pessimistic scenario assumptions in the previous year). In this context, it should be noted that the weighting of 25 % Baseline and 75 % Adverse was retained unchanged from the previous year, i.e. this reversal is solely due to the redesign of the macroeconomic scenarios, especially the Adverse scenario.

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 under the ICAAP/CRR definition (determined using the through-the-cycle probabilities of default over a period of one year) by a factor of 2.8. At the peak of the COVID-19 crisis (balance sheet date 31 December 2020) and at the peak of the uncertainties relating to inflation and the war between Russia and Ukraine (balance sheet date 31 December 2022), this Fak-tor was 4.2. Before the COVID-19 crisis (balance sheet date 31 December 2019), the factor was around 2.1. In case of a symmetrical weighting of 60 % Baseline, 20 % Adverse and 20 % Optimistic, the factor would equally be 2.1. The difference between the factors 2.8 (result based on the weightings chosen) and 2.1 (result against a background of minor to no uncertainties of the overall economy) is considered as risk measure for the valuation of current uncertainties. This amounts to approx. 1/3 of the historical maximum: the difference between the factors 4.2 (result in case of extremely high uncertainties of the overall economy) and 2.1 (result against a background of minor to no uncertainties of the overall economy).

Post-model adjustments

The process for recognising risk provisions for the annual financial statements provides for an assessment of the current risk situation in the last quarter or following recalibration of the IFRS 9 parameters (usually at the end of Q3) in connection with the up-to-dateness of the forecasts. New risks that have not been fully mapped in the available data, or possible macroeconomic developments that are not fully reflected in the models, scenarios and assumptions are recorded as post-model adjustments. At year-end 2023, the risk of the situation of the real estate market deteriorating any further was combined with an increase in defaults in specific parts of the loan portfolio:

- Customers with speculative real estate financing according to the CRR definition;
- Special financing of projects (IPRE) that are still in the property acquisition or construction phase.

For these sub-portfolios, post-model adjustments were formed in the 2023 annual financial statements to cover a Stage 2 allocation of all customers included therein. Moreover, account was taken of the fact that for some of the rating models used – in particular the IPRE rating as well as the conduct and application rating models for private customers – recalibration was in progress at year-end 2023 but was not yet in use as at the balance sheet date (31 December 2023). The effects of this future rating calibrations were equally mapped in the 2023 annual financial statements as post-model adjustments. For this purpose, a customer-specific simulation of the IPRE rating after recalibration was calculated; based on this, a difference against the existing risk provisions was determined and recognised as post-model adjustments. For private customers, particularly the less creditworthy customers (rating according to the master scale lower than 3C) with a significant amount of financing at variable interest rates were identified, and a generalised rating downgrade by 2 levels was determined by simulation. The simulated difference was equally mapped in the 2023 annual financial statements as post-model adjustments.

Overall, an allocation to risk provisions in the amount of euro 24.7 million was recognised. In the previous year, post-model adjustments in the amount of euro -1.6 million were recognised as a partial reversal of the effects of the weighting of the macroeconomic scenarios in the healthcare sector. These post-model adjustments were reversed through profit or loss in 2023.

in euro million Customer type	PMA determination	Total exposure	Actual risk provisions as of 31 Dec 2023	PMA	Actual risk provisions incl. PMA	of which PMA rating recalibration
Customers with speculative real estate financing	Collective Stage 2 Transfer, IPRE-rating recalibration	1,273.0	3.6	7.6	11.2	0.8
IPRE Proper-ty/construction phase (without spec. real estate financing)	Collective Stage 2 Transfer, IPRE-Rating recalibration	327.9	1.1	7.0	8.1	0.7
IPRE Operating phase (without spec. real estate financing)	IPRE-Rating recalibration	573.8	1.1	3.5	4.6	3.5
Private customers with a rating worse than/equal to 3C and variable credit	Private customer rating recalibration	288.2	5.2	6.6	11.8	6.6
Total		**2,463.0**	**11.0**	**24.7**	**35.7**	**11.7**

In summary, the risk provisions for the performing portfolio (Stages 1 and 2, including provisions for off-balance sheet receivables) are as follows:

2023:

	in EUR Mio.	in %
Risk provisions (Stage 1+2 portfolio including provisions), standard model	88,0	100,0 %
+ In-model adjustment based on the scenario weights	18,5	21,0 %
+ Post-model adjustment	24,7	28,0 %
Risk provisions (Stage 1+2), final	**131,2**	**149,0 %**

2022:

	in EUR Mio.	in %
Risk provisions (Stage 1+2 portfolio including provisions), standard model	104,6	100,0 %
+ In-model adjustment based on the scenario weights	46,5	44,5 %
+ Post-model adjustment	-1,6	-1,5 %
Risk provisions (Stage 1+2), final	**149,5**	**142,9 %**

Impairments Stage 3

The NPL ratio increased in 2023, mainly due to individual idiosyncratic new defaults among commercial Real Estate customers in Q4 2023. By comparison with the successful resolutions of NPL exposures of the past 2 years, the year 2023 was within the historical average as regards resolution as well. A net allocation of impairments for NPL customers (Stage 3) plus direct write-offs amounting to euro 67.0 million was recognised in the consolidated financial statements of the Association (2022: net reversal euro 2.2 million). In addition, extraordinary income was recognised from receivables previously written off in the amount of euro 4.5 million (2022: extraordinary income of euro 5.9 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 allocation of the total portfolio of loans and receivables to customers to Stage 2 or Stage 1 is analysed.

Stage 2 or Stage 1 allocation of the overall portfolio (year 2023):

	in euro million	in % of risk provisions Portfolio (Performing)
Risk provisions (Stage 1 & 2 portfolio, incl. off-balance provisions without PMA)	106.5	100.0 %
All receivables transferred to Stage 2	146.7	137.6 %
All receivables transferred to Stage 1	-61.5	-57.7 %

Stage 2 or Stage 1 allocation of the overall portfolio (year 2022):

	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 %

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. For the purpose of determining sensitivities, devaluations of real estate collaterals by 15 % or 25 % are simulated, and – if collateralisation is insufficient following said devaluation – the simulated increase in unsecured exposure is burdened with 100 % risk provisions.

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.

Sensitivities of the NPL portfolio (year 2023):

	in euro million	in basis points Coverage Ratio I
Risk provisions NPL (Stage 3 portfolio)	217.8	32.1 %
Depreciation by 15 %	59.0	8.7 %
Depreciation by 25 %	86.8	12.8 %
All receivables in workout	18.1	2.7 %

Sensitivities of the NPL portfolio (year 2022):

	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 exposures pursuant to the CRR, additional capital may be required for the exposures 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 portions of the aggregate bank risk report.

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

The following analyses are part of the 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 year-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, and information about the development of the overdraft portfolio. Moreover, it contains a brief overview of the development of risk provisions to track developments continuously and to implement measures promptly.

Development of the credit risk-related portfolio in 2023

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 2023 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 2023	31 Dec 2022
Liquid funds	3,261,663	3,302,486
Loans and receivables credit institutions	234,134	123,049
At amortised cost	234,134	123,049
Loans and receivables customers	23,130,152	22,530,304
At amortised cost	22,740,145	22,133,939
At fair value	390,007	396,364
Assets held for trading - fixed-income securities	3,996	544
At fair value	3,996	544
Financial investments - fixed-income securities	2,925,190	2,377,206
At amortised cost	2,825,755	2,293,548
At fair value	99,435	83,658
Contingent liabilities	638,477	702,944
Credit risks	3,029,931	3,458,162
Total	**33,223,545**	**32,494,695**

As at 31 December 2023, the total credit risk-related portfolio amounted to euro 33,223,545 thousand (2022: euro 32,494,695 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 2023, the loans and receivables customers include receivables from finance leases in the amount of euro 178,139 thousand (2022: euro 181,242 thousand). Due to the low share of 0.8 % (2022: 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 debentures 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 unutilised loan commitments 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 to 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 2023, the largest customer segment of the credit risk-relevant items is the SME segment in the amount of euro 13,933,526 thousand (2022: euro 13,550,738 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 2023	Banks	Retail private	SME	Corporates	Public sector	Others	Total
Liquid funds	0	0	0	0	3,261,663	0	3,261,663
Loans and receivables credit institutions	234,134	0	0	0	0	0	234,134
At amortised cost	234,134	0	0	0	0	0	234,134
Loans and receivables customers	0	8,541,053	11,742,761	744,105	274,045	1,828,189	23,130,152
At amortised cost	0	8,416,118	11,620,565	739,384	271,163	1,692,916	22,740,145
At fair value	0	124,935	122,196	4,721	2,882	135,273	390,007
Assets held for trading – fixed-income securities	0	0	0	3,996	0	0	3,996
At fair value	0	0	0	3,996	0	0	3,996
Financial investments – fixed-income securities	1,844,668	0	0	53,550	1,026,972	0	2,925,190
At amortised cost	1,770,847	0	0	52,872	1,002,036	0	2,825,755
At fair value	73,821	0	0	678	24,936	0	99,435
Contingent liabilities	413	83,727	512,842	35,361	221	5,914	638,477
Credit risks	1,940	846,747	1,677,924	194,822	96,143	212,356	3,029,931
Total	**2,081,155**	**9,471,527**	**13,933,526**	**1,031,834**	**4,659,044**	**2,046,459**	**33,223,545**

31 Dec 2022							
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
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**

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 2023	EUR	CHF	Others	Total
Liquid funds	3,261,663	0	0	3,261,663
Loans and receivables credit institutions	223,282	202	10,651	234,134
At amortised cost	223,282	202	10,651	234,134
Loans and receivables customers	22,645,492	476,294	8,366	23,130,152
At amortised cost	22,256,007	475,772	8,366	22,740,145
Thereof Retail private	8,059,961	352,193	3,964	8,416,118
Thereof SME	11,492,729	123,438	4,398	11,620,565
Thereof Corporates	739,297	83	4	739,384
Thereof other	1,964,020	58	0	1,964,079
At fair value	389,485	521	0	390,007
Thereof Retail private	124,413	521	0	124,935
Thereof SME	122,196	0	0	122,196
Thereof Corporates	4,721	0	0	4,721
Thereof other	138,155	0	0	138,155
Assets held for trading - fixed-income securities	3,996	0	0	3,996
At fair value	3,996	0	0	3,996
Financial investments - fixed-income securities	2,925,190	0	0	2,925,190
At amortised cost	2,825,755	0	0	2,825,755
Thereof Banks	1,770,847	0	0	1,770,847
Thereof Corporates	52,872	0	0	52,872
Thereof Public sector	1,002,036	0	0	1,002,036
Thereof other	0	0	0	0
At fair value	99,435	0	0	99,435
Thereof Banks	73,821	0	0	73,821
Thereof Corporates	678	0	0	678
Thereof Public sector	24,936	0	0	24,936
Thereof other	0	0	0	0
Contingent liabilities	635,153	2,170	1,154	638,477
Thereof Banks	413	0	0	413
Thereof Retail private	81,993	1,734	0	83,727
Thereof SME	511,300	387	1,154	512,842
Thereof Corporates	35,312	49	0	35,361
Thereof other	6,135	0	0	6,135
Credit risks	3,022,665	2,352	4,915	3,029,931
Thereof Banks	1,940	0	0	1,940
Thereof Retail private	845,799	933	15	846,747
Thereof SME	1,673,742	1,419	2,763	1,677,924
Thereof Corporates	192,685	0	2,137	194,822
Thereof other	308,499	0	0	308,499
Total	**32,717,441**	**481,018**	**25,085**	**33,223,545**

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
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**

Development of repayment vehicle and foreign currency loans

As at 31 December 2023, the total borrowings under repayment vehicle and foreign currency loans amounted to euro 600,000 thousand (2022: euro 710,425 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 2023, Austrian exposures accounted for 90.6 % of the credit risk-related portfolio (2022: 91.9 %).

Portfolio distribution by countries

Euro thousand 31 Dec 2023	Austria	Germany	Others	Total
Liquid funds	3,261,663	0	0	3,261,663
Loans and receivables credit institutions	103,127	51,003	80,004	234,134
At amortised cost	103,127	51,003	80,004	234,134
Loans and receivables customers	22,162,681	777,127	190,344	23,130,152
At amortised cost	21,783,769	769,314	187,062	22,740,145
Thereof Retail private	8,113,624	208,196	94,298	8,416,118
Thereof SME	11,223,981	330,098	66,485	11,620,565
Thereof Corporates	647,124	69,494	22,767	739,384
Thereof other	1,799,040	161,527	3,512	1,964,079
At fair value	378,912	7,813	3,282	390,007
Thereof Retail private	120,112	1,623	3,200	124,935
Thereof SME	115,924	6,190	82	122,196
Thereof Corporates	4,721	0	0	4,721
Thereof other	138,155	0	0	138,155
Assets held for trading - fixed-income securities	3,996	0	0	3,996
At fair value	3,996	0	0	3,996
Financial investments - fixed-income securities	985,885	401,363	1,537,941	2,925,190
At amortised cost	956,094	371,241	1,498,420	2,825,755
Thereof Banks	509,383	244,282	1,017,182	1,770,847
Thereof Corporates	3,939	0	48,933	52,872
Thereof Public sector	442,772	126,960	432,304	1,002,036
Thereof other	0	0	0	0
At fair value	29,791	30,122	39,522	99,435
Thereof Banks	14,084	30,122	29,615	73,821
Thereof Corporates	678	0	0	678
Thereof Public sector	15,030	0	9,907	24,936
Thereof other	0	0	0	0
Contingent liabilities	629,023	6,317	3,137	638,477
Thereof Banks	304	108	0	413
Thereof Retail private	80,063	1,986	1,678	83,727
Thereof SME	508,366	4,064	411	512,842
Thereof Corporates	34,194	119	1,048	35,361
Thereof other	6,095	40	0	6,135
Credit risks	2,956,140	65,076	8,716	3,029,931
Thereof Banks	1,940	0	0	1,940
Thereof Retail private	830,998	10,853	4,897	846,747
Thereof SME	1,637,840	36,265	3,819	1,677,924
Thereof Corporates	185,418	9,404	0	194,822
Thereof other	299,944	8,554	0	308,499
Total	**30,102,516**	**1,300,887**	**1,820,142**	**33,223,545**

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
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**

Development by sectors[2]

The most important sector within loans and receivables to customers of the Association of Volksbanks are private households with 36.9 % as at 31 December 2023 (2022: 39.4 %). As at 31 December 2023, the largest commercial sector in loans and receivables to customers within the Association of Volksbanks is the real estate sector. It accounts for a share of 29.6 % (2022: 28.0 %).

As at 31 December 2023, the largest commercial sector within loans and receivables to customers in the

- SME segment is the real estate sector, accounting for 42.1 % (2022: 40.9 %), followed by
- the tourism sector with a share of 13.2 % (2022: 13.6 %).

As at 31 December 2023, the largest commercial sector within loans and receivables to customers in the Corporates

- segment is again the real estate sector, accounting for 20.9 % (2022: 22.8 %).

[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.

Portfolio distribution by sectors

Euro thousand 31 Dec 2023	Private households	Financial services incl. Banks	Public au-thorities	Real estate	Construction industry
Liquid funds	0	0	3,261,663	0	0
Loans and receivables credit institutions	0	234,134	0	0	0
At amortised cost	0	234,134	0	0	0
Loans and receivables customers	8,541,051	254,028	274,045	6,849,292	651,427
At amortised cost	8,416,116	253,021	271,163	6,626,290	646,987
At fair value	124,935	1,008	2,882	223,002	4,441
Assets held for trading - fixed-income securities	0	0	0	1,525	0
At fair value	0	0	0	1,525	0
Financial investments - fixed-income securities	0	1,833,372	1,026,972	0	0
At amortised cost	0	1,759,551	1,002,036	0	0
At fair value	0	73,821	24,936	0	0
Contingent liabilities	83,666	54,739	221	37,764	98,110
Credit risks	844,981	31,744	96,143	602,274	232,810
Total	**9,469,698**	**2,408,017**	**4,659,044**	**7,490,855**	**982,347**

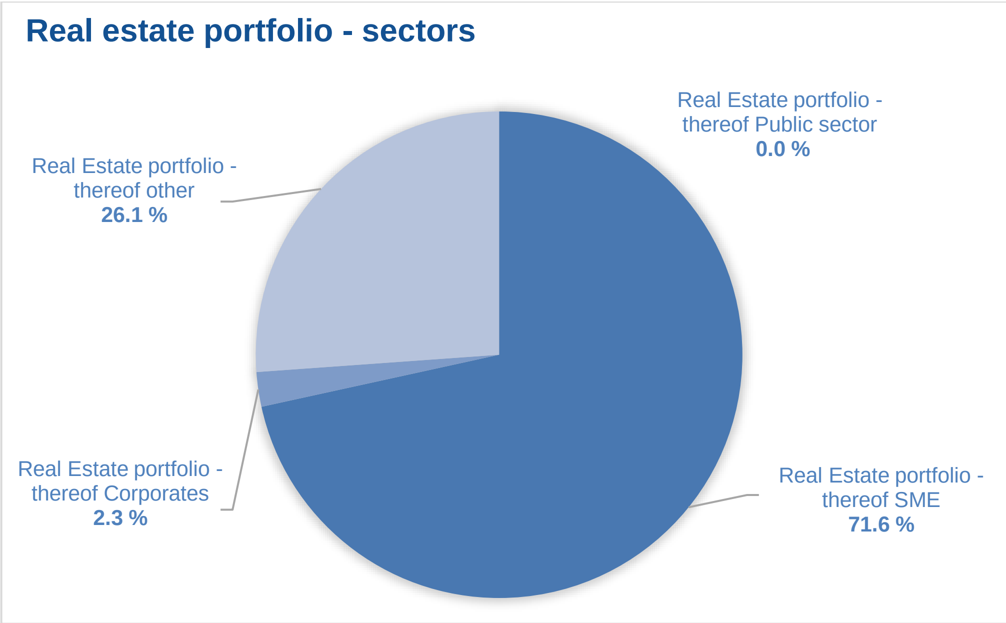
Euro thousand 31 Dec 2023	Tourism	Trade and repairs	Physicians/ healthcare	Food/ agriculture and forestry	Others	Total
Liquid funds	0	0	0	0	0	3,261,663
Loans and receivables credit institutions	0	0	0	0	0	234,134
At amortised cost	0	0	0	0	0	234,134
Loans and receivables customers	1,626,045	1,031,921	821,475	699,658	2,381,210	23,130,152
At amortised cost	1,616,210	1,027,158	821,183	692,518	2,369,500	22,740,145
At fair value	9,835	4,763	292	7,140	11,710	390,007
Assets held for trading – fixed-income securities	0	0	0	0	2,471	3,996
At fair value	0	0	0	0	2,471	3,996
Financial investments – fixed-income securities	0	0	0	0	64,846	2,925,190
At amortised cost	0	0	0	0	64,168	2,825,755
At fair value	0	0	0	0	678	99,435
Contingent liabilities	122,774	53,931	10,667	14,147	162,458	638,477
Credit risks	138,255	311,368	99,317	103,720	569,320	3,029,931
Total	**1,887,074**	**1,397,221**	**931,459**	**817,525**	**3,180,305**	**33,223,545**

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
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**

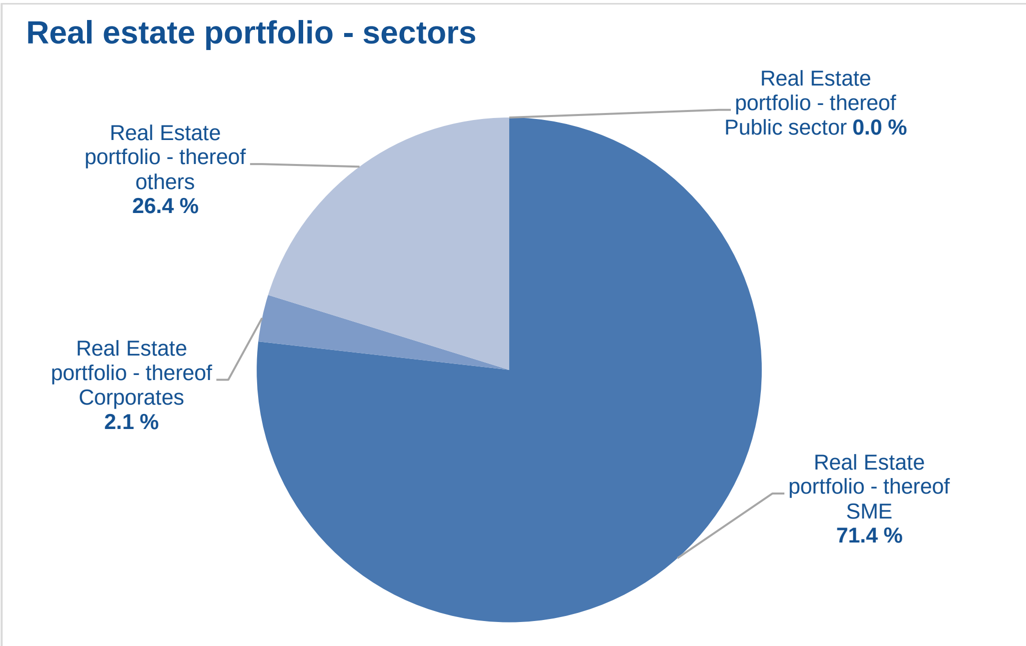
Euro thousand 31 Dec 2022	Tourism	Trade and repairs	Physicians/ healthcare	Food/ agriculture and forestry	Others	Total
Liquid funds	0	0	0	0	0	3,302,486
Loans and receivables credit institutions	0	0	0	0	0	123,049
At amortised cost	0	0	0	0	0	123,049
Loans and receivables customers	1,573,860	944,940	669,821	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**

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 71.6 % (2022: 71.4 %); at 3.4 % (2022: 0.9 %), the NPL ratio as at 31 December 2023 in the real estate portfolio is below the NPL ratio of internal risk control for the Association of Volksbanks, with 2.5 % (2022: 1.7 %).

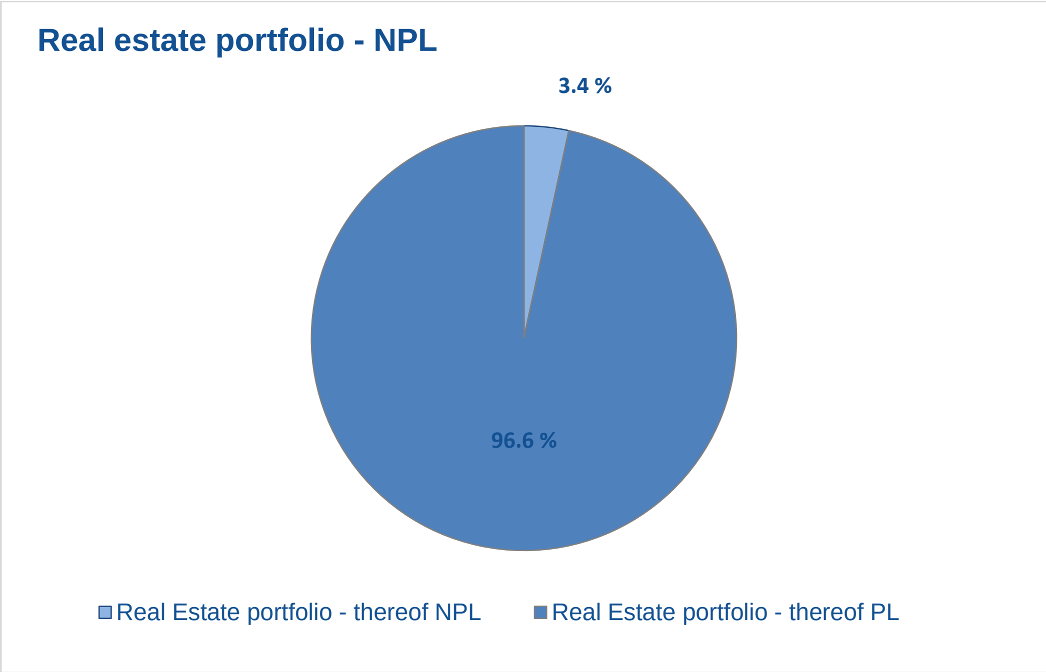
Real estate portfolio by segment as at 31 December 2023:



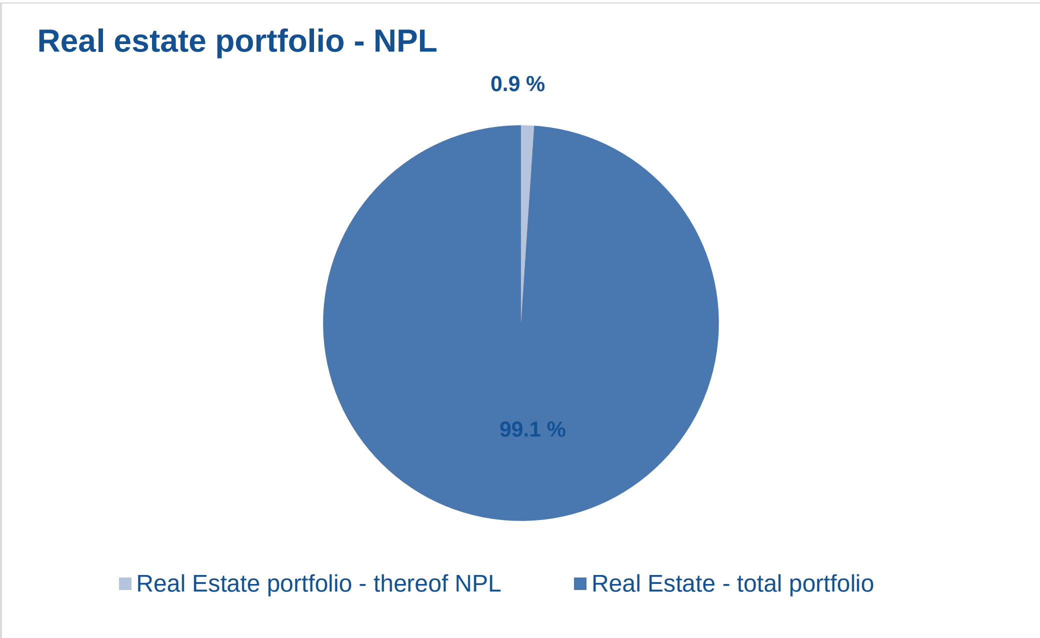
Real estate portfolio by segment as at 31 December 2022:



Real estate portfolio NPL ratio as at 31 December 2023:



Real estate portfolio NPL ratio as at 31 December 2022:

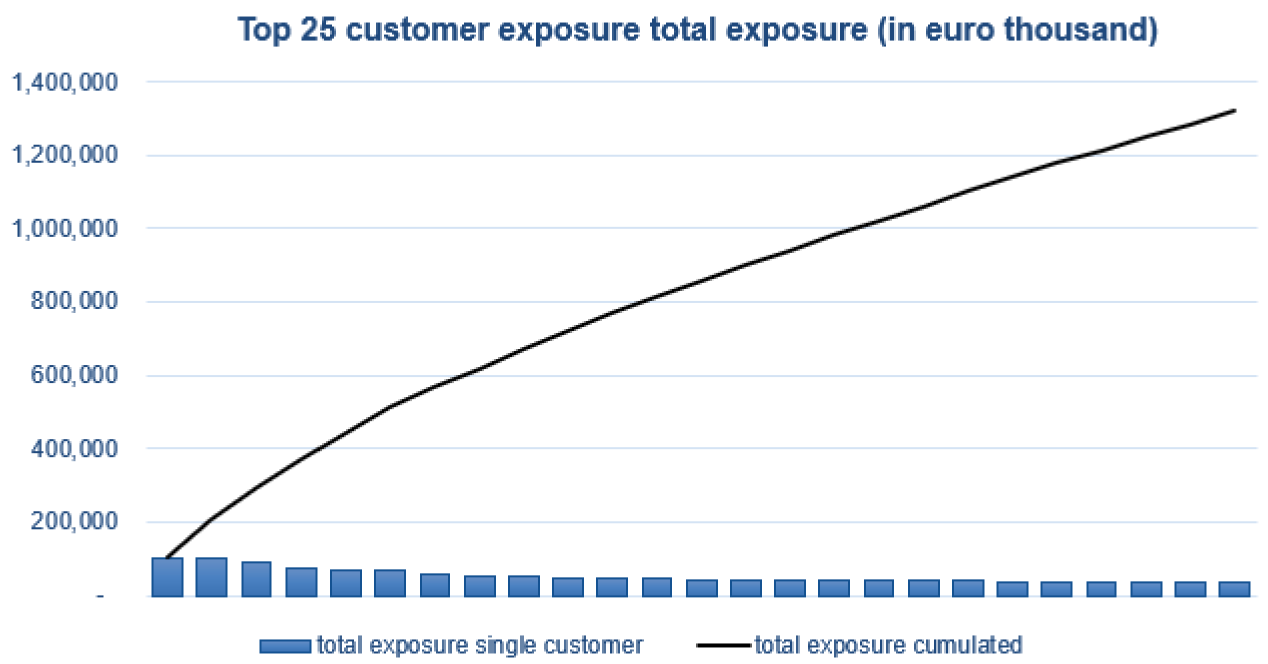


Presentation of the Top 25 exposures

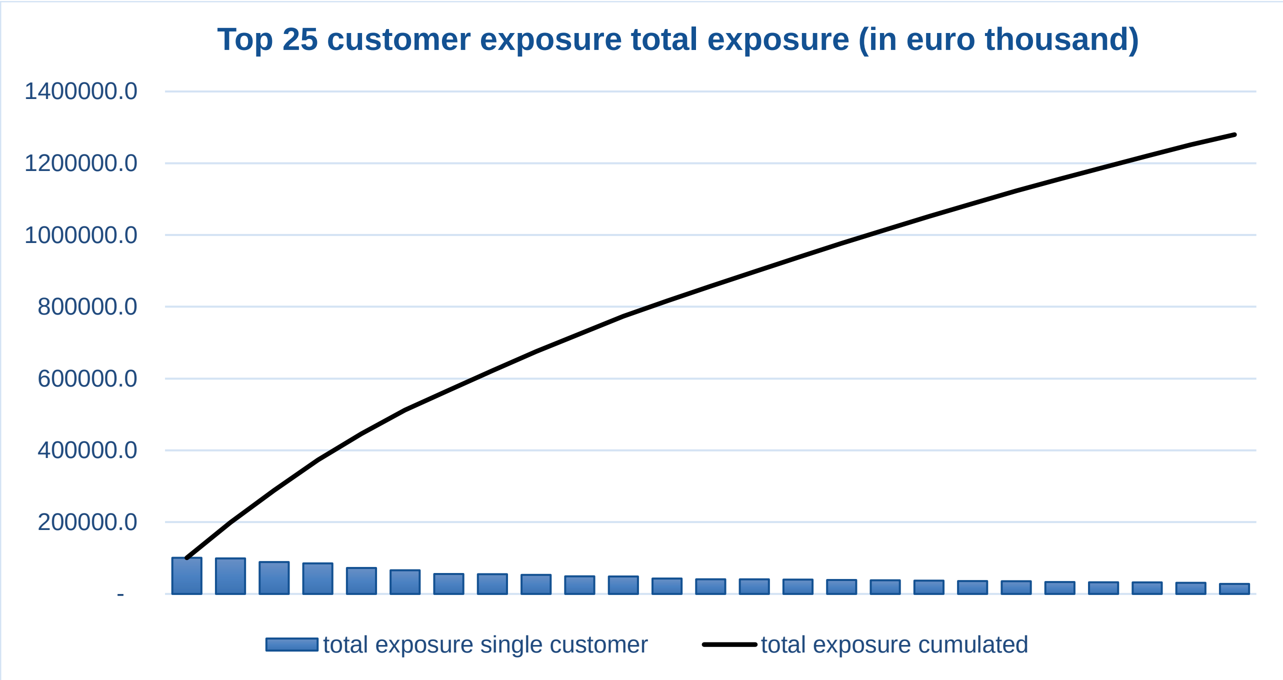
The following chart shows the Top 25 loans and receivables to customers within the Association of Volksbanks as at 31 December 2023 with the total exposure per individual customer as well as the cumulative total exposure of euro 1,319,702 thousand (2022: euro 1,279,700 thousand), and reflects the business model of the Association with a focus on small-volume private and SME customers. The Top 25 loans and receivables customers correspond to some 4.9 % (2022: 4.8 %) 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.

Top 25 loans and receivables to customers / total exposure as at 31 December 2023



Top 25 loans and receivables to customers / total exposure as at 31 December 2022



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 2023	1 (1A - 1E)	2 (2A - 2E)	3 (3A - 3E)	4 (4A - 4E)	5 (5A - 5E)	6 (NR)	Total
Liquid funds	3,261,663	0	0	0	0	0	3,261,663
Loans and receivables credit institutions	74,409	159,653	72	0	0	0	234,134
At amortised cost	74,409	159,653	72	0	0	0	234,134
Thereof Stage 1	74,409	159,585	21	0	0	0	234,015
Thereof Stage 2	0	68	51	0	0	0	120
Thereof Stage 3	0	0	0	0	0	0	0
Loans and receivables customers	959,282	11,042,903	9,649,594	826,753	646,860	4,761	23,130,152
At amortised cost	941,982	10,919,170	9,443,484	801,506	629,299	4,706	22,740,145
Thereof Stage 1	932,838	10,717,554	8,094,197	106,670	0	1,787	19,853,046
Thereof Stage 2	9,144	201,616	1,349,287	694,836	0	2,918	2,257,801
Thereof Stage 3	0	0	0	0	629,299	0	629,299
At fair value	17,300	123,733	206,110	25,247	17,561	55	390,007
Assets held for trading – fixed-income securities	0	1,475	2,521	0	0	0	3,996
At fair value	0	1,475	2,521	0	0	0	3,996
Financial investments – fixed-income securities	1,751,996	1,173,194	0	0	0	0	2,925,190
At amortised cost	1,687,792	1,137,963	0	0	0	0	2,825,755
Thereof Stage 1	1,687,792	1,137,963	0	0	0	0	2,825,755
Thereof Stage 2	0	0	0	0	0	0	0
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	64,205	35,230	0	0	0	0	99,435
Contingent liabilities	38,813	346,408	223,851	21,482	7,330	592	638,477
Thereof Stage 1	35,514	312,189	183,217	2,116	0	466	533,501
Thereof Stage 2	3,300	34,219	40,633	19,366	0	126	97,645
Thereof Stage 3	0	0	0	0	7,330	0	7,330
Credit risks	449,131	1,441,789	1,049,119	58,076	25,184	6,633	3,029,931
Thereof Stage 1	433,436	1,376,457	950,385	9,800	0	2,337	2,772,414
Thereof Stage 2	15,695	65,332	98,734	48,276	0	4,296	232,333
Thereof Stage 3	0	0	0	0	25,184	0	25,184
Total	**6,535,294**	**14,165,422**	**10,925,157**	**906,311**	**679,374**	**11,986**	**33,223,545**

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
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**

Effects from contract amendments

For the year 2023, the effect on the income statement from changes in contracts for financial instruments is euro -5.629 thousand (2022: euro 876 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 2023, the NPL ratio within internal risk control amounted to 2.5 % for the Association (2022: 1.7 %).

The NPL coverage ratio through risk provisions or Coverage Ratio I for internal reporting amounts to 32.9 % for the Association as at 31 December 2022 (2021: 33.2 %).

The NPL coverage ratio through risk provisions or Coverage Ratio III for internal reporting amounts to 109.6 % for the Association as at 31 December 2023 (2022: 105.6 %). 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 2023	Loan volume - total	NPL	NPL Ratio	Risk provisions for NPL
Liquid funds	3,261,663	0	0.00 %	0
Loans and receivables credit institutions	234,134	0	0.00 %	0
At amortised cost	234,134	0	0.00 %	0
Loans and receivables customers	23,130,152	646,860	2.80 %	211,702
At amortised cost	22,740,145	629,299	2.77 %	211,702
Thereof Retail private	8,416,118	96,480	1.15 %	22,945
Thereof SME	11,620,565	379,153	3.26 %	134,659
Thereof Corporates	739,384	30,639	4.14 %	12,901
Thereof other	1,964,079	123,026	6.26 %	41,197
At fair value	390,007	17,561	4.50 %	0
Thereof Retail private	124,935	3,733	2.99 %	0
Thereof SME	122,196	6,495	5.32 %	0
Thereof Corporates	4,721	0	0.00 %	0
Thereof other	138,155	7,333	5.31 %	0
Assets held for trading - fixed-income securities	3,996	0	0.00 %	0
At fair value	3,996	0	0.00 %	0
Financial investments - fixed-income securities	2,925,190	0	0.00 %	0
At amortised cost	2,825,755	0	0.00 %	0
At fair value	99,435	0	0.00 %	0
Contingent liabilities	638,477	7,330	1.15 %	3,197
Credit risks	3,029,931	25,184	0.83 %	8,770
Total	**33,223,545**	**679,374**	**2.04 %**	**223,668**
Loans and receivables customers, contingent liabilities, credit risks	26,798,561	679,374	2.54 %	223,668
Liquid funds, loans and receivables credit institutions and customers	26,625,949	646,860	2.43 %	211,702

	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 %
Loans and receivables customers	32.73 %	513,462	112.11 %
At amortised cost	33.64 %	499,974	113.09 %
Thereof Retail private	23.78 %	77,111	103.71 %
Thereof SME	35.52 %	279,052	109.11 %
Thereof Corporates	42.11 %	24,964	123.58 %
Thereof other	33.49 %	118,847	130.09 %
At fair value	0.00 %	13,488	76.81 %
Thereof Retail private	0.00 %	3,538	94.77 %
Thereof SME	0.00 %	6,716	103.39 %
Thereof Corporates	0.00 %	0	0.00 %
Thereof other	0.00 %	3,234	44.11 %
Assets held for trading - fixed-income securities	0.00 %	0	0.00 %
At amortised cost	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	43.61 %	7,095	140.41 %
Credit risks	34.82 %	0	34.82 %
Total	**0.00 %**	**520,558**	**109.55 %**
Loans and receivables customers, contingent liabilities, credit risks	32.92 %	520,558	109.55 %
Liquid funds, loans and receivables credit institutions and customers	32.73 %	513,462	112.11 %

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
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	2.64 %	106,435
Thereof Corporates	577,075	24,782	4.46 %	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	26,955,839	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 %
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 %

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

Development NPL portfolio

Euro thousand	Total
NPL as at 1 Jan 2022	**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**
Classified as impaired during the year	358,668
Transferred to not-impaired during the year	-18,194
Account coverage and write-offs NPL	-83,682
Net repayments and other movements	-28,294
NPL as at 31 Dec 2023	**679,374**

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.

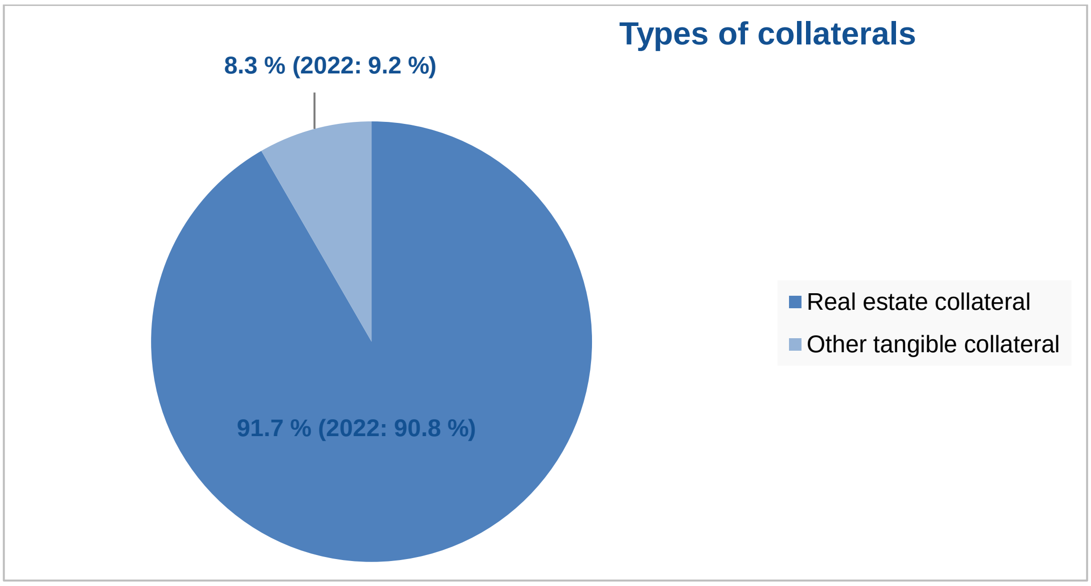
With respect to customer loans, forbearance was agreed for a total carrying amount of euro 531,508 thousand (2022: euro 791,768 thousand) for financial reasons. This amount relates to performing forborne credit exposures in the amount of euro 276,874 thousand (2022: euro 581,839 thousand) and non-performing forborne credit exposures in the amount of euro 254,634 thousand (2022: euro 209,929 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 2023 following the expiry of forbearance flags from 2020 and 2021.

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 eligible value of the collaterals (after measurement and cap based on the amount of the receivable secured).

In the 2023 business year, no significant changes to the principles – applicable across the Association – for the management of loan collaterals occurred.



Euro thousand 31 Dec 2023	Loan volume - total	Allowable collateral amount – total	Real estate collateral	Other tangible collateral	Loan loss allowances	Provisions	Loan volume - total, deducted by collateral and risk provisions
Liquid funds	3,261,663	0	0	0	0	0	3,261,663
Loans and receivables credit institutions	234,134	86,661	0	86,661	16	0	147,457
At amortised cost	234,134	86,661	0	86,661	16	0	147,457
Loans and receivables customers	23,130,152	20,335,968	18,776,701	1,559,267	329,781	0	2,464,403
At amortised cost	22,740,145	20,005,074	18,451,251	1,553,823	329,781	0	2,405,290
Thereof Retail private	8,416,118	7,923,429	7,614,493	308,936	46,042	0	446,647
Thereof SME	11,620,565	9,938,420	8,852,916	1,085,505	222,419	0	1,459,725
Thereof Corporates	739,384	460,772	359,029	101,742	14,352	0	264,260
Thereof other	1,964,079	1,682,453	1,624,813	57,640	46,968	0	234,657
At fair value	390,007	330,894	325,451	5,443	0	0	59,113
Thereof Retail private	124,935	115,358	110,519	4,839	0	0	9,576
Thereof SME	122,196	99,454	98,930	523	0	0	22,742
Thereof Corporates	4,721	4,616	4,565	51	0	0	106
Thereof other	138,155	111,466	111,437	30	0	0	26,689
Assets held for trading - fixed-income securities	3,996	0	0	0	0	0	3,996
At fair value	3,996	0	0	0	0	0	3,996
Financial investments - fixed-income securities	2,925,190	0	0	0	694	0	2,924,496
At amortised cost	2,825,755	0	0	0	694	0	2,825,061
At fair value	99,435	0	0	0	0	0	99,435
Contingent liabilities	638,477	302,721	222,030	80,691	0	10,374	325,382
Credit risks	3,029,931	0	0	0	0	14,728	3,015,203
Total	**33,223,545**	**20,725,350**	**18,998,731**	**1,726,619**	**330,492**	**25,102**	**12,142,601**

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
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**

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 2023 Derivatives	Assets	Liabilities	Net values
Banking book	254,260	-242,950	11,310
Trading book	20,003	-35,936	-15,933
Cash collaterals	**Pledged**	**Received**	**Net values**
Banking book	274,262	-278,886	-4,624
Total			**-9,247**

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**

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 different fixed interest rates between assets and liabilities. The Association of Volksbanks pursues a strategy of positive term transformation. This 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 usually higher than that of the liabilities. The interest rate position results from retail banking, where also fixed-interest loans are concluded, which are refinanced by customer deposits with shorter fixed interest periods for the major part. The fixed interest portfolio has been built up over several years, creating a rolling fixed-interest position.

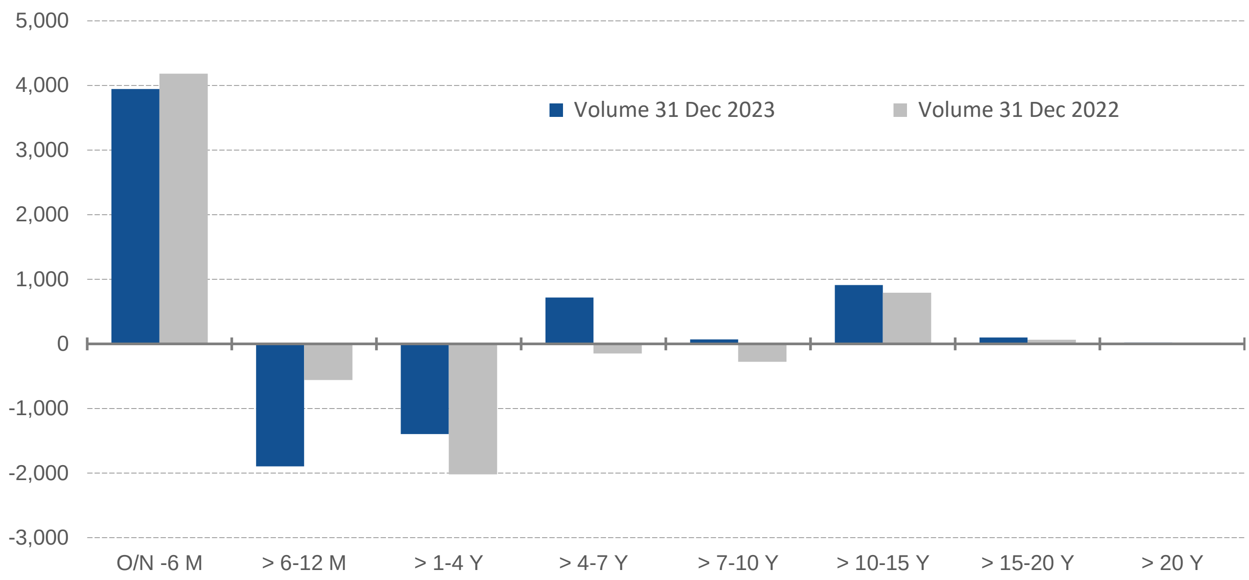
The interest rate risk in the banking book comprises all interest-bearing transactions reported and not reported in the balance sheet (except for transactions in the trading book), as well as interest-sensitive assets and liabilities (participations and provisions). The interest rate risk position associated with the retail business of the Association mainly arises from index-linked loans and loans with fixed interest rates, from non-maturing deposits or deposits with limited fixed interest periods in the form of sight and savings deposits, as well as from implicit floors, in both the assets side and the liabilities side retail business. Other decisive factors are bond positions of the bank's own portfolio, own issues and the interest rate swaps used to control the interest rate position. 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 maturity and without fixed interest rates or with a limited fixed interest period is included in interest rate risk modelling by way of replication assumptions, in order to show 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 (EVE risk, Economic Value of Equity) and net Interest income risk (NII risk). The present value interest rate risk is measured using the EVE coefficient in accordance with Article 84 CRD and the RTS for the interest rate risk outlier test, the PVBP (Price Value of a Basis Point) and the interest rate book VaR. The VaR is included in the ICAAP as part of the risk-bearing capacity calculation. The EVE coefficient is the leading indicator in interest rate management and is therefore defined as a strategic RAS indicator (RAS: Risk Appetite Statement). Net interest income risk is measured using the NII coefficient (equally pursuant to Art 84 CRD and the RTS for the interest rate risk outlier test) by comparing the net interest income at a constant interest rate level with the net interest income in a stressed scenario. In doing so, the interest income over the next 12 months is always taken into account. The NII coefficient is also defined as a strategic RAS indicator from 2024.

In line with the company’s strategy, the Association has a positive term transformation, measured using the regulatory EVE coefficient and PVBP. In case of positive term transformation, the present value interest rate risk consists in increasing interest rates. The EVE coefficient increased significantly in 2023, approaching the RAS trigger threshold. Hedging measures taken in the second half of the year have prevented the trigger from being exceeded. The increase in present value risk was caused by reallocations of savings/sight deposits with modelled fixed interest periods to time deposits with shorter fixed interest periods and higher interest rates, and by continued growth in fixed-interest loans (including reallocations of index-linked to fixed-interest loans). Monthly volatility of the coefficient mainly arose from the usual effects of payment transactions and fixing, as well as valuation effects from movements of the interest rate curve.

The net interest income risk fell significantly in 2023 and is below the future regulatory limit in accordance with the RTS outlier test. 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 within the association of credit institutions. 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 main reasons for the reduction in risk were the increase in interest expenses for sight/savings deposits and the growth in fixed-interest loans. Net interest income risk amounted to euro 91 million as at 31 December 2023. A comparable figure for the end of 2022 is not available due to methodological changes in the calculation.

Interest rate gap of the Association of Volksbanks



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 maturity bands up to 10 years, the customer deposits modelled on the basis of interest rate replicates reduce the interest rate gap. In the long-term range of more than 10 years, asset overhangs result from fixed-interest loans.

The Asset Liability Committee (ALCO) 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 through the risk strategy. The ALCO is convened monthly at the CO or ad hoc as required. The Asset Liability Management (ALM) of the CO, which belongs to the Treasury division 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/P&L perspective. In doing so, implicit floors in retail banking are also taken into account in both perspectives.

Concentration risk

No concentration risks exist within interest rate risk.

Credit spread risk

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

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

Risk measurement is mainly effected via credit spread VaR and the sensitivity to any increase in credit spreads by 100 bps. The calculation of the credit spread VaR is based on a historical simulation for a 99.9 % confidence level. In the process, the portfolio as at 31.12.2023 is divided into 19 risk clusters (2022: 21, elimination of positions in Sovereigns Netherlands and Covered EUR AA), 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 2023	**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	-138,825	-3,420	-105	-142,350
31 Dec 2022				
Section 30a of the Austrian Banking Act-Association of credit institutions	-116,035	-3,363	-120	-119,518

Concentration risk

Concentration risks within credit spread risk may arise at the level of issuers or risk clusters in case of similar issuers; these are mitigated by setting appropriate limits. These risk clusters are reported in the ALCO. As at 31 December 2023, 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 2023**	**31 Dec 2022**
Risk category 1 (1A - 1E)	2,670,652	2,137,624
Risk category 2 (2A - 2E)	186,063	216,250
Risk category 3 (3A - 3E)	35,057	0
Risk category 4 (4A - 4E)	0	1
Risk category 5 (5A - 5E)	0	0
Risk category 6 (NR)	0	0
Total	**2,891,772**	**2,353,876**

A-Depot Risk Cluster

Euro thousand 31 Dec 2023	Amortised cost Carrying amount	Fair value through OCI Carrying amount	Fair value through profit or loss Carrying amount	Total Carrying amount
Covered EUR AAA	1,629,918	70,282	0	1,700,200
Sovereigns Austria	436,809	15,030	0	451,839
Sovereigns Germany	131,507	0	0	131,507
Sovereigns France	103,076	0	0	103,076
Financials EUR AA	91,846	0	0	91,846
Other sovereigns EUR AAA	63,499	9,898	0	73,397
Sovereigns Slovakia	53,388	0	0	53,388
Sovereigns Belgium	50,943	0	0	50,943
Sovereigns Spain	39,279	0	0	39,279
Sovereigns Portugal	35,057	0	0	35,057
Carrying amount < euro 40,000 thousand	157,617	664	2,959	161,240
Total	**2,792,939**	**95,874**	**2,959**	**2,891,772**
31 Dec 2022				
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 < euro 40,000 thousand	166,635	708	2,922	170,264
Total	**2,270,389**	**80,563**	2,923	**2,353,876**

Portfolio structure according to IFRS 9 categories

Euro thousand 31 Dec 2023	Bond	Syndicated loan & SSD	Fund & Equity	Total
Amortised cost	2,792,939	0	0	2,792,939
Fair value through OCI	95,874	0	0	95,874
Fair value through profit or loss	2,959	0	0	2,959
Total	**2,891,772**	**0**	**0**	**2,891,772**

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**

Market risk in the trading book

The market risk in the trading book of the Association of Volksbanks is of minor importance. The trading book is held 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 continuously below the regulatory threshold of euro 500 million (Art. 325a CRR).

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

The trading book risk 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 2023			
Trading book	-1	-6	-2
31 Dec 2022			
Trading book	-3	-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):

Euro thousand Currency	31 Dec 2023	31 Dec 2022
CHF	502	310
CZK	-272	22
USD	-216	170
JPY	-9	1
GBP	-1	43
Others	1,483	1,441
Total	**1,487**	**1,987**

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 kept constant for subsequent measurement. This measurement risk is considered within the scope of the risk-bearing capacity calculation and the internal stress test. Reporting takes place monthly within the ALCO.

The portfolio concerned is a maturing portfolio, as any SPPI-non-compliant new business will only be 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 2023	Market liquidity costs +10 basis points	Interest rate +10 basis points
Fair value through profit or loss - loans and receivables	-1,116	-405
31 Dec 2022		
Fair value through profit or loss - loans and receivables	-1,103	-235

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. Obviously, this is responsible for the major part of liquidity risk. The stability of customer deposits has become apparent again during the COVID pandemic in 2020/2021. In 2023, the bank was seen to actively control reallocations of sight/savings deposits to time deposits and to launch Retail issues. The total portfolio of customer deposits (including Retail issues) remained more or less constant.

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 of Volksbanks on capital market funding remains low, at around 13 % (2022: 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 through 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 through 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. The ALCO respectively Treasury 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. The ALCO of the CO is the central body for the management of liquidity risks. Liquidity risk reporting within the ALCO is taken care of by the Market and Liquidity Risk Control department. Operational liquidity management is taken care of by the Liquidity Management department in Treasury. 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. A funding risk occurs when there is access to funding, but this funding is getting more expensive. The funding risk constitutes a burden on the income statement. It is accounted for as income statement risk within the ICAAP.

The 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 transactions 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. 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 stress testing activities across the Association.

Liquidity position and liquidity ratios in 2023

The group of credit institutions will continue to have a comfortable liquidity position in 2023. Two benchmark capital market issues have significantly strengthened the liquidity position. At the same time, the additional liquidity requirement from lending business was low. The longer-term central bank funds raised in 2020/2021 in the form of TLTRO III tranches will be repaid in full by mid-2024. Loans and receivables to customers continue to be almost entirely refinanced by customer deposits.

The LCR, the most important key figure for liquidity risk, developed positively over the course of 2023 and was well above the regulatory minimum and the internal limit/trigger values towards year-end. After falling to around 150 % at the beginning of the year, the LCR initially stabilised at around 170 % to 180 % over the course of the year, before rising again to over 200 % towards the end of the year. As at 31 December 2023, the LCR was 193 % (2022: 165 %). The survival period also shows high values in the bank run scenario, analogous to the LCR. In 2023, the survival period consistently exceeded 200 days, and was thus also clearly above internal limits. In 2023, the NSFR was stable at a high level of between around 130 % and 140 %, demonstrating the Association's solid liquidity structure, also in the longer term.

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 within operational liquidity management. Generally, they amount to less than 1% of total assets. There are only a few temporary exceptions with a few major accounts for implementing payment transactions or balancing liquidity peaks. These deposits are regularly monitored and reported on within the scope of liquidity risk management.

Operational liquidity management

The Liquidity Management department in the Treasury division is responsible for operational liquidity management, among others. The department is the central unit within 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. The department 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), cover fund for trust money, liquidity buffer under section 21 Pfandbrief Act
- Maturity structure of issue planning
- 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
- Management/coordination of the open FX position and determination of the FX refinancing positio
- 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 risk 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, the performance of risk analyses, awareness building measures, 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 instance, awareness-building/training events, the monitoring of the OpRisk indicators, maintaining the confidentiality, availability and integrity of customer and corporate data, business continuity planning, but also – in particular – an 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 significant risks, the Association of Volksbanks faces strategic risk, equity risk, direct real estate risk, as well as 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).

Other risks such as onduct 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.

Organisational and process-based measures, in particular, have been implemented to manage these risks. 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
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 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	100.00 %	100.00 %	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

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	79.15 %	79.15 %	51,782
VBW eins Beteiligung eG in Liqu.; Wien	HO	78.63 %	78.63 %	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	32,948
Volksbank Niederösterreich AG; St. Pölten	KI	27,203
Volksbank Oberösterreich AG; Wels	KI	21,596
Volksbank Salzburg eG; Salzburg	KI	13,062
Volksbank Steiermark AG; Graz	KI	69,504
Volksbank Tirol AG; Innsbruck	KI	20,430
VOLKSBANK VORARLBERG e. Gen.; Rankweil	KI	1,844
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 in Liqu.; 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 in Liqu.; 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, 6 March 2024

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 2023, 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 2023, 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 2023.

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 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 2023 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 22,740.1 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 individual 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. Generally, the 12-month ECL (stage 1) is used. If the credit risk increases significantly, the ECL is calculated based on the lifetime expected credit loss (stage 2). The determination of ECL requires estimation and assumptions. These comprise rating-based probabilities of default and loss given default, which take information about current conditions and forecasts of future economic conditions into account. In order to take into account the currently difficult development of economic conditions, which is characterized by higher real estate risks and the significantly increased interest rate level, the loan loss provisions calculated using the ECL model are increased ("post-model adjustments").

This results in the risk for the consolidated financial statements of the Banking Association that taking the post-model adjustments into account, 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.
- 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. We assessed the valuation of real estate collaterals with the involvement of valuation specialists.
- For the following procedures we involved our financial risk management specialists. 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 addition, we recalculated the quantitative tests in the validation reports for selected models. In particular, we assessed the effects of the currently negative development of economic conditions on the method used to determine the default probabilities. We analysed the selection and the 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 post-model adjustments made in 2023, which are 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 stage 1 and 3 (not significant) exposures and by recalculating stage 2 exposures on a sample basis.

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 58.5 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

In testing the recoverability of deferred taxes for tax loss carryforwards, we performed the following significant procedures:

- 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 2023 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 theof the consolidated financial statements 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, 6 March 2024

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

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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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A-1030 Vienna, Dietrichgasse 25

Translation:
All Languages Alice Rabl GmbH

Copy deadline:
March 2024

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.