



# **Volksbank Wien and Association of Volksbanks**

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Investor presentation

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# 1

## Association and Volksbank Wien: overview

<b>Association of Volksbanks</b>	The Association of Volksbanks (AoV) consists of nine institutions (eight regional Volksbanks and one specialised bank: Österreichische Ärzte- und Apothekerbank AG). Central organisation (CO) of the Association is Volksbank Wien (VBW)	
<b>Association assets and capital</b>	Total assets: Risk-weighted assets: CET1 ratio transitional / fully loaded:	<b>EUR 30.5 bn</b> <b>EUR 15.2 bn</b> <b>15.3% / 15.2%</b>
<b>Volksbank Wien assets and capital</b>	Total assets: Risk-weighted assets: CET1 ratio transitional / fully loaded:	<b>EUR 15.1 bn</b> <b>EUR 4.5 bn</b> <b>17.2% / 17.1%</b>

# 1 Association and Volksbank Wien: ratings

<b>Moody's<sup>1)</sup></b> (Volksbank Wien)	Long term deposit rating: Baseline credit assessment (BCA): Covered bond rating: Outlook:	<b>A2</b> <b>baa1</b> <b>Aaa</b> <b>Stable</b>
<b>Fitch Ratings<sup>2)</sup></b> (Association, Volksbanks)	Long term issuer default rating (IDR): Viability rating: Outlook:	<b>BBB+</b> <b>bbb+</b> <b>Stable</b>
<b>Sustainalytics<sup>3)</sup></b> (Volksbank Wien)	ESG risk rating score: ESG risk rating category:	<b>10.2</b> <b>Low ESG risk</b>

1) 20 June 2023: rating affirmed | 2) 07 July 2023: rating affirmed | 3) 14 June 2023: result of rating update published, ESG risk rating score improved to 10.2 from 17.4

# 1 Regionally diversified business in Austria

- Volksbank Wien's and the Association's business models are based on **providing services to retail and SME customers in Austria**. At the end of 2023, the **Association** had approximately **970 ths customers**, and **Volksbank Wien** had ca. **299 ths customers**
- As of 31 December 2023 **Volksbank Wien** had **54 branches**, and the **Association** had **232 branches** located throughout Austria
- **VBW is the largest of the regional Volksbanks** by balance sheet size and at the same time acts as **central organisation** of the Association of Volksbanks. Owners of Volksbank Wien are member banks of the Association and holding cooperatives
- The **high degree of economic and prudential integration** allows the central organisation and the regional banks to be treated as one bank for regulatory purposes



1) Consolidation effects are excluded in the graph above leading to an overstatement of total assets shown, Association's consolidated total assets as of 12/2023 EUR 30.5 bn

- The Association of Volksbanks and the individual members of the Association are subject to **direct supervision by the ECB**
- The Association is organised according to **Article 10 CRR** and **Section 30a BWG** (Austrian Banking Act). The **Association Agreement, Cooperation Agreement, Trust Agreement and Agreement on the Division of Association Costs** define the member banks' rights and obligations
- Originally a network of cooperative banks, the Volksbanks chose a legal structure with the **highest degree of integration possible** as described in Article 10, CRR. Therefore the Association is characterised by a **high level of cohesion**
- A number of **regulatory requirements** (i.e. capital and liquidity requirements) have to be met on the Association level and by the central organisation only, the other members of the Association are exempt

## Centralised processes, streamlined governance

- **Governance strengthened through a clear distribution of tasks within the Association:** the central organisation is responsible for all steering and control tasks, regulatory matters and back-office functions, while the regional Volksbanks focus on sales and customer service
- **Centralisation of steering and control functions:** accounting and financial reporting, regulatory reporting, controlling and planning, internal audit, legal, compliance (including tax compliance), treasury, risk controlling, organisation & IT, etc. have been centralised and are carried out by Volksbank Wien for all Association member banks
- **Bundling of back office and service functions** in VBW's subsidiaries *VB Services für Banken* (customer service centres and market service centres, loan processing, payment transactions, etc.) and *VB Infrastruktur und Immobilien* (facility management, banking logistics)
- **Standardisation of organisational structure:** A standardised organisational chart has been successfully implemented in all Volksbanks, the organisational structures of all Association member banks are now identical
- **A uniform data architecture** has been implemented in all Volksbanks
- **Business is focused on all regions of Austria** (no participations abroad)

## Joint liability & liquidity scheme

Volksbank Wien and the regional Volksbanks have established a **joint liability & liquidity scheme**. They are mutually obliged to jointly support a member institution should difficulties arise. Liabilities and contributions are unlimited. The Volksbanks have to hold their liquidity at the central organisation which is responsible for the Association's compliance with regulatory liquidity requirements

## Right to issue directives

The central organisation is authorised to issue **general or individual directives** to the Volksbanks. General directives are aimed at all Volksbanks while individual directives are issued to specific banks

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# 2 Results 2023 at a glance (1/2)

<b>Very good results in 2023</b>	<ul style="list-style-type: none"><li>• The <b>operating result</b> of the Association of Volksbanks increased significantly y-o-y to <b>EUR 427 mn</b> at the end of 2023 (12/2022: EUR 148 mn)</li><li>• The Association's profit reached a record result in the 2023 fiscal year, with <b>profit after taxes</b> amounting to <b>EUR 326 mn</b> (12/2022: EUR 115 mn)</li><li>• The higher level of interest rates had a clearly positive effect on the Association's net interest income which grew strongly in 2023. The <b>net interest result</b> reached <b>EUR 705 mn</b> as of 31 December 2023 (12/2022: EUR 468 mn) and is the main driver of the increase in operating result and profit after taxes</li><li>• After growing continuously in previous years, <b>net fee and commission income</b> further increased in 2023 to <b>EUR 262 mn</b> (12/2022: EUR 255 mn); in particular income from payment transactions and the securities business developed positively</li></ul>
<b>Highlights 2023</b>	<ul style="list-style-type: none"><li>• <b>Upgrade Moody's rating:</b> in February 2023, Moody's has upgraded Volksbank Wien's deposit rating by two notches from Baa1 to A2. The upgrade was mainly attributable to the resilient asset quality, strong capitalisation level, increased profitability that has benefitted from the improved cost structure, the good funding and liquidity position as well as the early and full repayment of the government participation right</li><li>• <b>Green senior preferred bond:</b> Volksbank Wien has issued its first green bond in March 2023 (in a volume of EUR 500 mn, the bond is MREL-eligible)</li><li>• <b>Sustainalytics „low ESG risk“ rating:</b> Volksbank Wien's ESG risk rating score further improved after a rating review in H1 2023 to a score of 10.2</li></ul>
<b>Positive development of customer business</b>	<ul style="list-style-type: none"><li>• In the fiscal year 2023 an increase of loans and receivables from customers and amounts owed to customers could be achieved. <b>Loans and receivables from customers</b> went up from EUR 22.1 bn in 2022 to <b>EUR 22.7 bn</b> at the end of 2023, and <b>amounts owed to customers</b> plus <b>retail bonds issued</b> stood at <b>EUR 22.6 bn</b> as of 31 December 2023 (12/2022: EUR 22.1 bn)</li></ul>



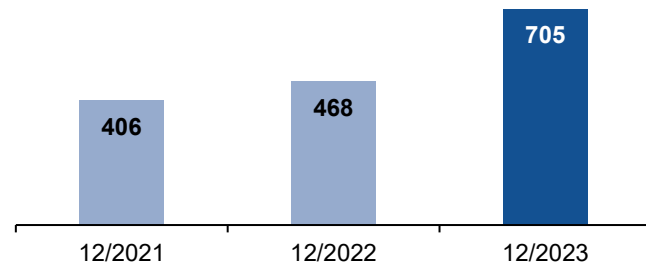
## 2 Results 2023 at a glance (2/2)

<b>Development of cost base</b>	<ul style="list-style-type: none"><li>• As consequence of the positive business development in 2023 (mainly due to the rapid rise of interest rates), the Association's <b>CIR</b> improved considerably and stood at <b>55.5%</b> at year-end (12/2022: 76.9%)</li><li>• Following significant reductions in previous years, <b>general administrative expenses</b> increased due to inflation effects to <b>EUR -536 mn</b> in 2023 (12/2022: EUR -479 mn), which is a result of higher operating expenses (mainly growing expenditure for investments in IT and marketing and advertising), and of higher personnel expenses (rising wage costs and growing number of employees)</li><li>• In order to accommodate future growth, the <b>number of employees (FTEs)</b> increased according to plan in 2023. As of 31 December 2023, the Association of Volksbanks had <b>3,108 employees</b> (12/2022: 3,033 employees)</li></ul>
<b>Risk provisions reflect economic environment</b>	<ul style="list-style-type: none"><li>• <b>Risk provisions</b> increased to <b>EUR -65 mn</b> in 2023 (12/2022: EUR -31 mn). Higher individual loan loss provisions were booked for loans in the real estate segment due to current negative developments on the real estate market. In addition, post-model adjustments in the form of portfolio loan loss provisions were recognized due to uncertainty of forecasts</li><li>• The Association's <b>NPL ratio</b> was <b>2.5%</b> at the end of 2023 (12/2022: 1.7%)</li></ul>
<b>Capital ratios above requirements</b>	<ul style="list-style-type: none"><li>• The Association's capital ratios developed positively in fiscal year 2023, the <b>CET1 ratio</b> (fully loaded) increased to <b>15.2%</b> as of 31 December 2023 (12/2022: 14.0%)</li><li>• The <b>equity ratio</b> (fully loaded) also improved and stood at <b>18.8%</b> at the end of 2023 (12/2022: 18.4%)</li></ul>

# 2 Association: KPIs 2021-2023

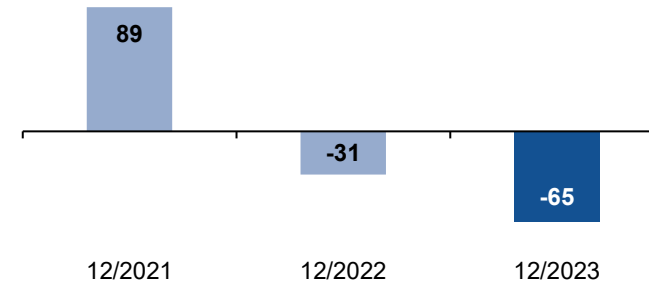
## Net interest income

(EUR mn)



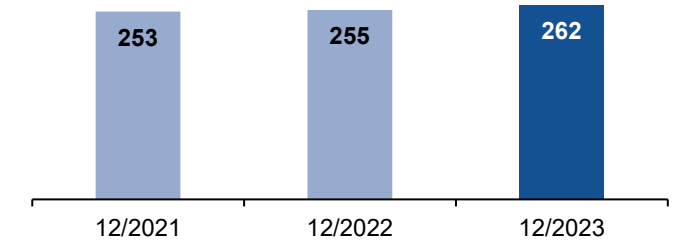
## Risk provisions

(EUR mn)



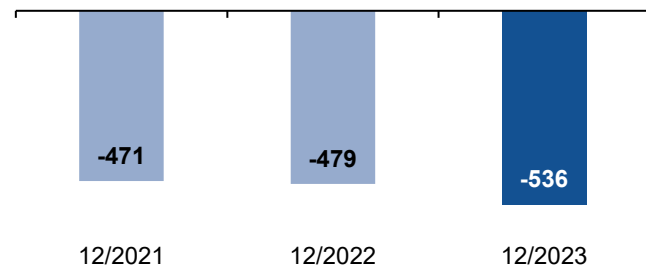
## Net fee and commission income

(EUR mn)



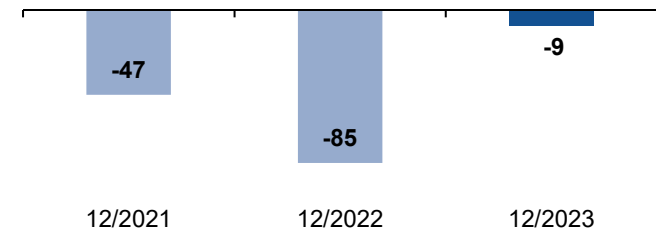
## General administrative expenses<sup>1)</sup>

(EUR mn)



## Other operating result

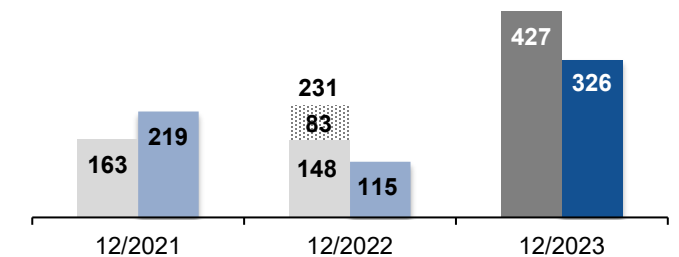
(EUR mn)



## Operating result<sup>2)</sup>

### Result after taxes

(EUR mn)

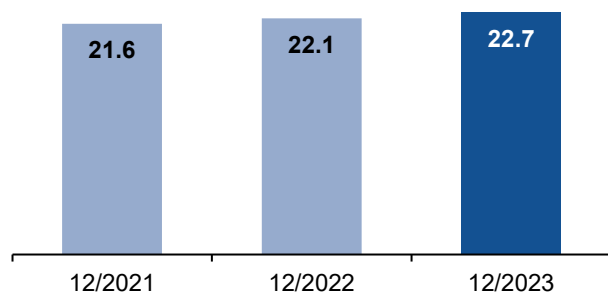


1) General administrative expenses 12/2021 and 12/2022: contributions to the deposit guarantee scheme (ESA) and the resolution fund (SRF) were retrospectively re-allocated to the other operating result | 2) Operating result includes net interest income, net fee & commission income, net trading income, result from financial instruments and investment properties, other operating result and general administrative expenses; operating result as of 12/2022 adjusted for payment of government participation right in H2 2022 in an amount of EUR 83 mn

# 2 Association: continued growth of customer business

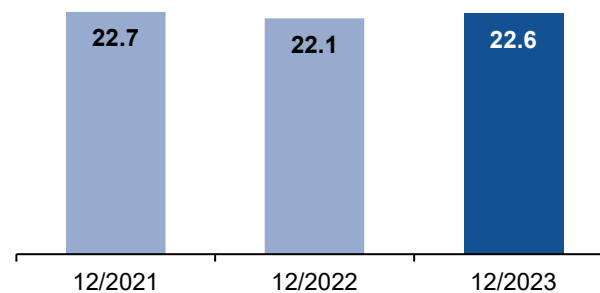
### Loans & receivables from customers<sup>1)</sup>

(EUR bn)



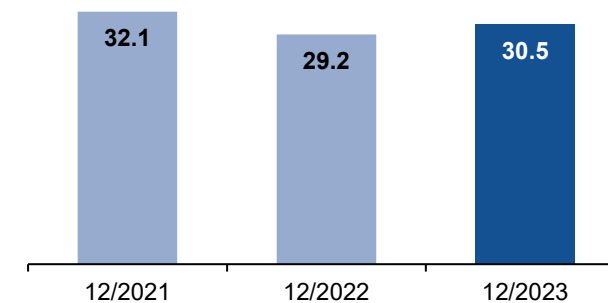
### Amounts owed to customers & retail bonds issued

(EUR bn)

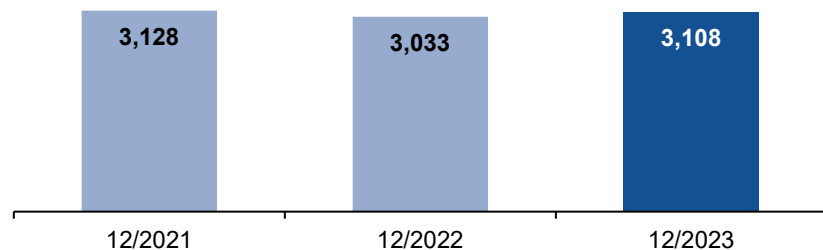


### Total assets<sup>2)</sup>

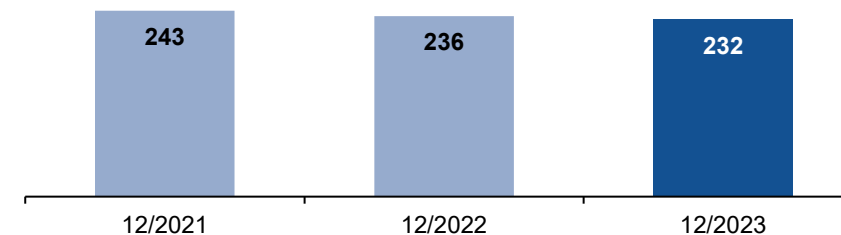
(EUR bn)



### Number of employees (FTE)



### Number of branches



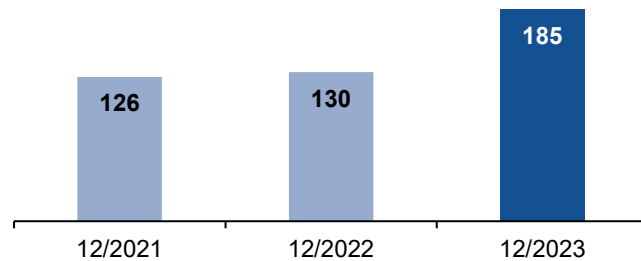
1) Breakdown fixed/floating rate loans (including swaps): as of 12/2023: 40% fixed rate loans, 60% floating rate loans; as of 12/2022: 39% fixed rate loans, 61% floating rate loans

2) Total assets 12/2021 include participation in TLTRO in an amount of EUR 2 bn (TLTRO participation in 2020: EUR 1.5 bn)

# 2 Volksbank Wien: KPIs 2021-2023

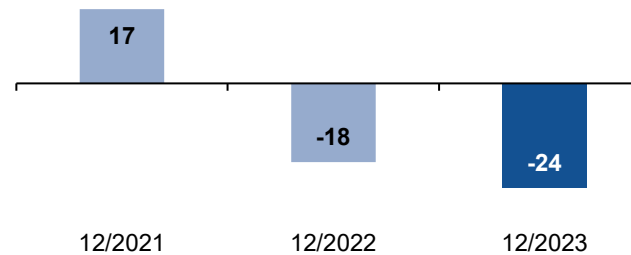
## Net interest income

(EUR mn)



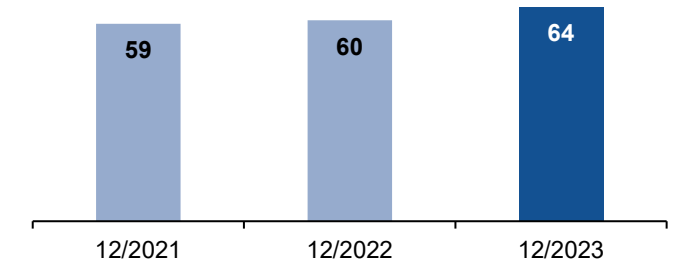
## Risk provisions

(EUR mn)



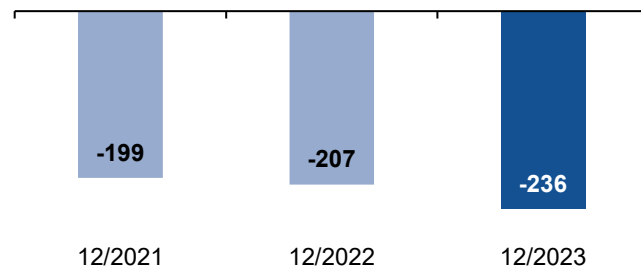
## Net fee and commission income

(EUR mn)



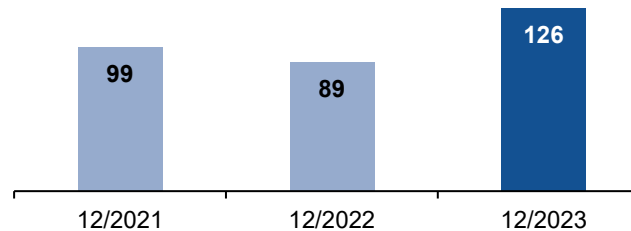
## General administrative expenses<sup>1)</sup>

(EUR mn)



## Other operating result

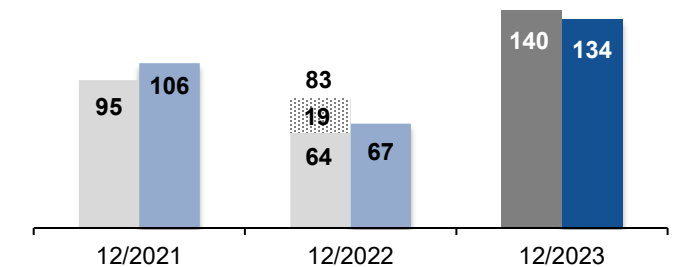
(EUR mn)



## Operating result<sup>2)</sup>

## Result after taxes<sup>3)</sup>

(EUR mn)

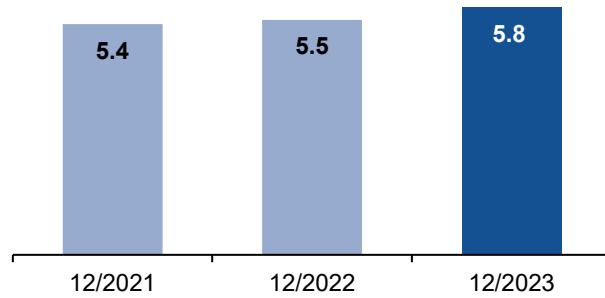


1) General administrative expenses 12/2021 and 12/2022: contributions to the deposit guarantee scheme (ESA) and the resolution fund (SRF) were retrospectively re-allocated to the other operating result | 2) Operating result includes net interest income, net fee & commission income, net trading income, result from financial instruments and investment properties, other operating result and general administrative expenses; operating result as of 12/2022 adjusted for payment of government participation right in H2 2022 in an amount of EUR 19 mn | 3) 12/2022 figures: IAS 8 restatement

# 2 Volksbank Wien: continued growth of customer business

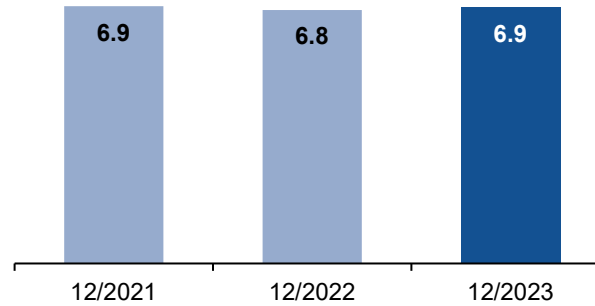
### Loans & receivables from customers<sup>1)</sup>

(EUR bn)



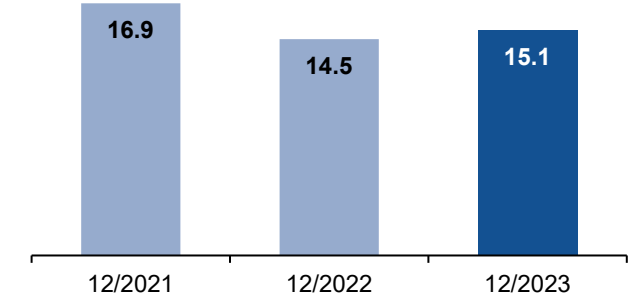
### Amounts owed to customers & retail bonds issued

(EUR bn)

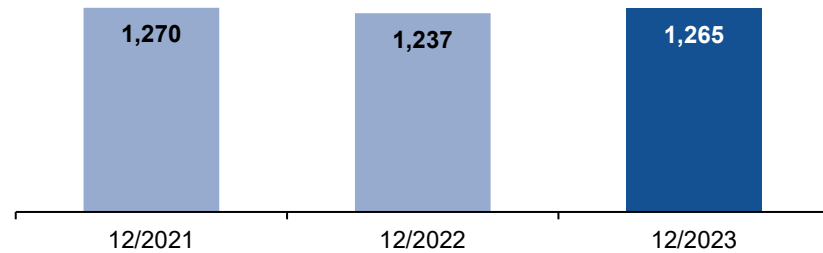


### Total assets<sup>2)</sup>

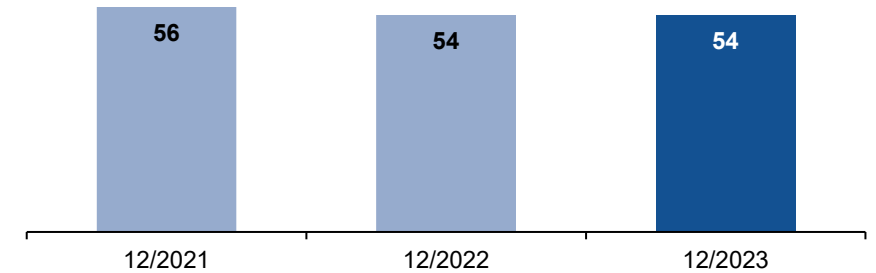
(EUR bn)



### Number of employees (FTE)



### Number of branches



1) Breakdown fixed/floating rate loans (including swaps): as of 12/2023 40% fixed rate loans, 60% floating rate loans; as of 12/2022 42% fixed rate loans, 58% floating rate loans

2) Total assets 12/2021 include participation in TLTRO in an amount of EUR 2 bn (TLTRO participation in 2020: EUR 1.5 bn)

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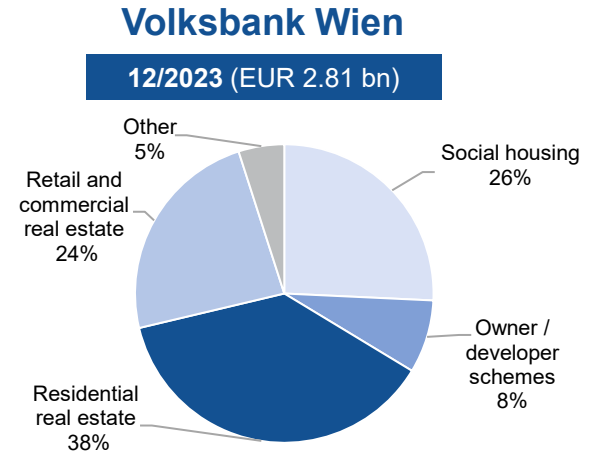
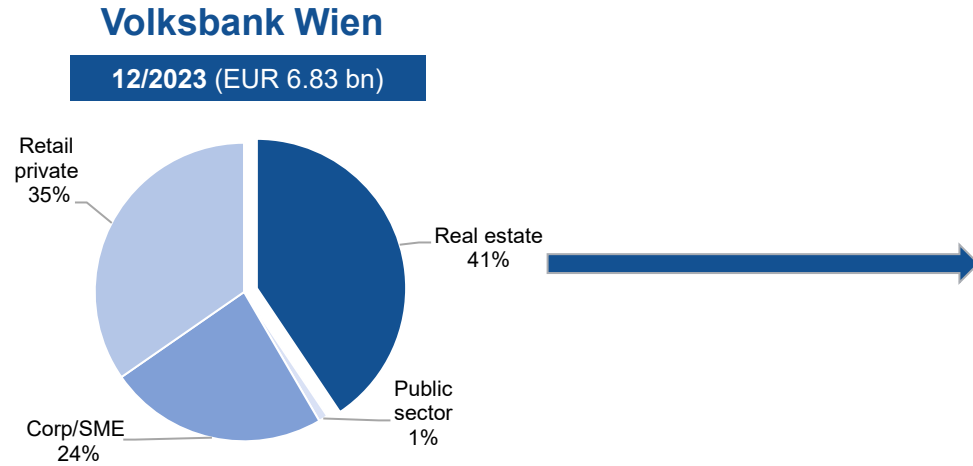
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# 3 Stable customer business in Austria with focus on retail, SME and real estate

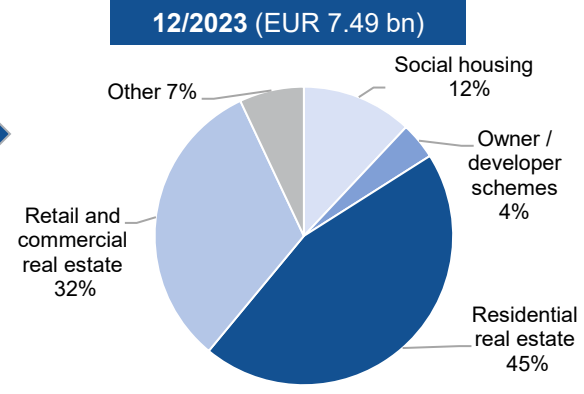
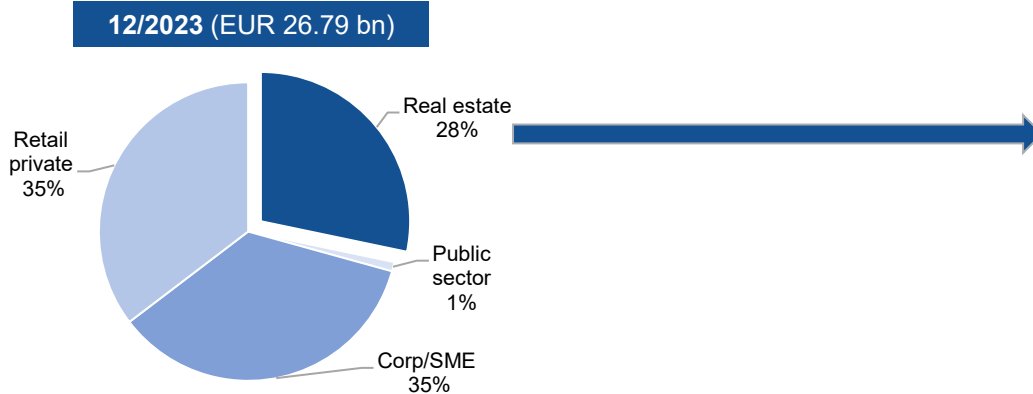
Distribution of loans & receivables by segments<sup>1)</sup>

Distribution of real estate exposure<sup>1)</sup>



Association of Volksbanks

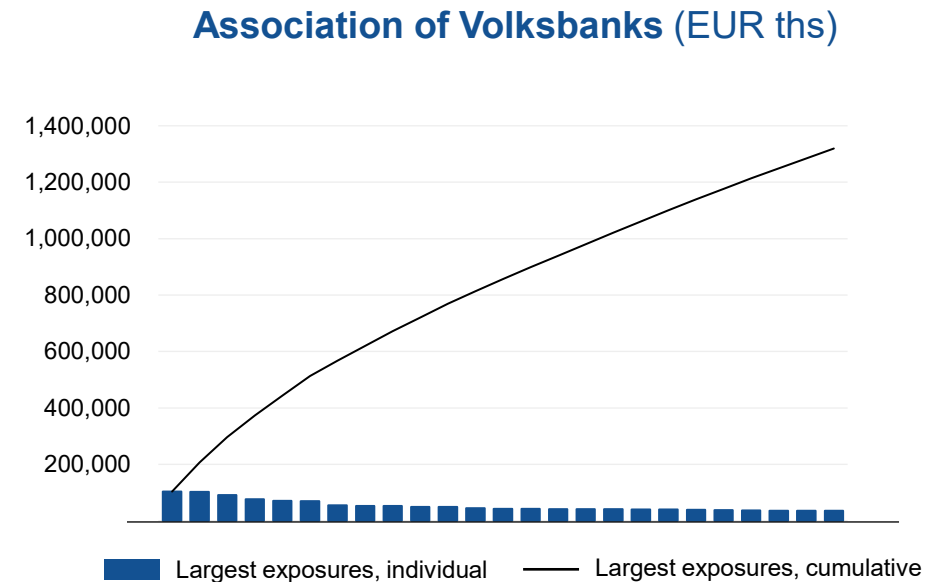
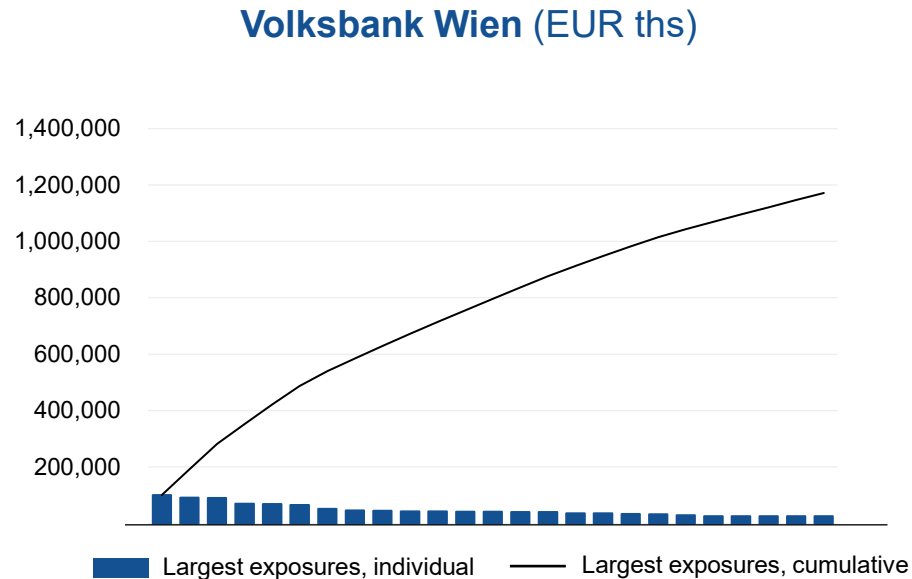
Association of Volksbanks



<sup>1)</sup> Loans and receivables based on risk view (total loans extended)

# 3 Granular loan portfolios without cluster risks

## 25 largest customer exposures<sup>1)</sup>



Both Volksbank Wien and the Association have granular credit portfolios with no significant large single credit positions, reflecting the focus on small-volume retail and SME business:

- The **top 25 exposures** represent 4.9% of the Association's and 17.1% of Volksbank Wien's total loans and receivables from customers
- The **largest single customer exposure** accounts for 0.4% of the Association's and for 1.5% of Volksbank Wien's customer loans

<sup>1)</sup> Loans and receivables based on risk view (total loans extended)



# 3 Current economic environment and effects on the loan portfolio

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The following, general market observations can be seen in the three main customer-risk segments of the Association of Volksbanks:

## Retail Private:

- New loans to retail customers are stagnating – this is caused by the KIM-VO (new lending standards for retail mortgage loans) and higher interest rate levels
- Implementation of the new housing package in Austria will have positive market effects, but with a delay
- High real estate prices decrease affordability, leading to a decline in loan demand

## Corporate - SME:

- Construction companies in the portfolio currently do not exhibit significant difficulties - however, order levels are falling sharply as a clear sign of a market slowdown
- Tourism remains stable albeit with continued challenges due to higher costs and shortage of skilled workers

## Real Estate:

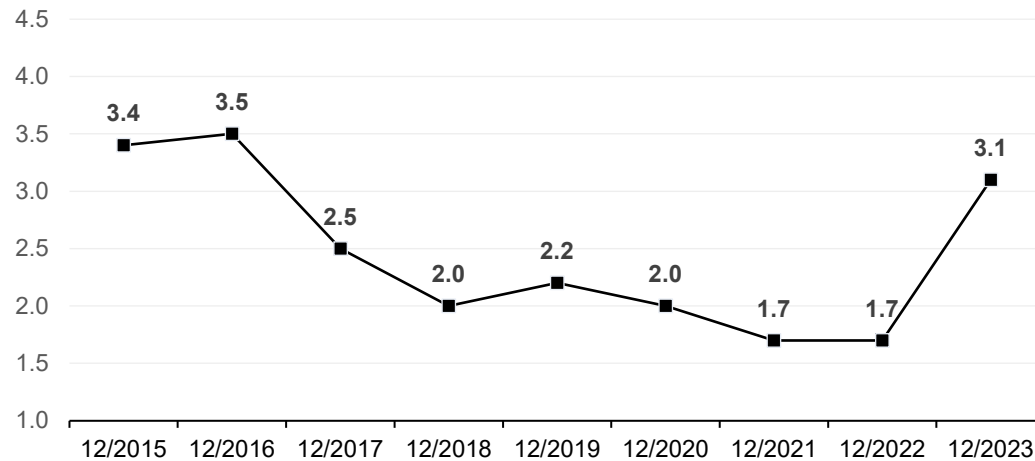
- Price increases in construction are weighing on the market and far fewer new projects are being started
- As a result, a significant shortage of properties is to be expected in a few years' time
- There are longer realization periods for completed projects

# 3

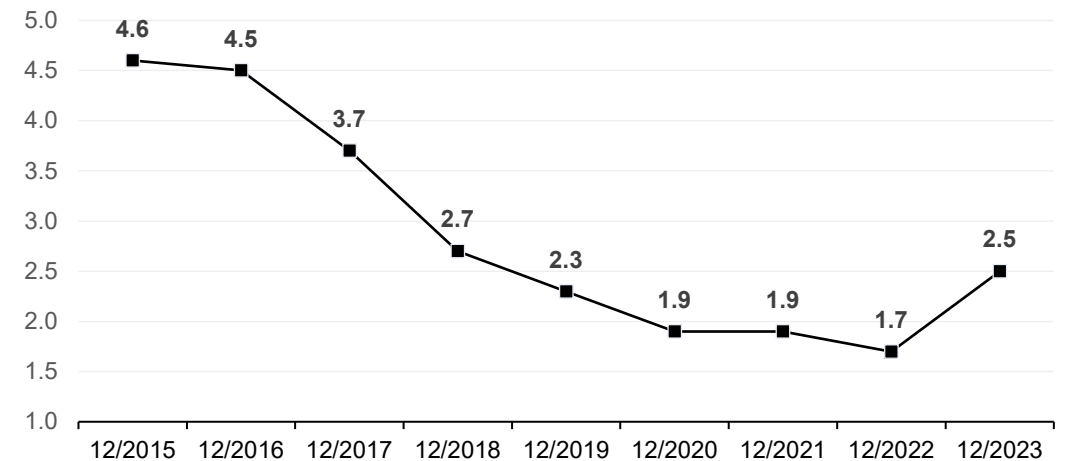
## Real estate exposure drives increase of NPL ratios

### Development of NPL ratios<sup>1)</sup>

#### Volksbank Wien (%)



#### Association of Volksbanks (%)



- A **stringent NPL management process** including a standardised early warning system, an optimised dunning system and an improved management of loans at risk has been established resulting in a significant reduction of the Association's and Volksbank Wien's NPL ratios over the last few years
- The increase in NPL ratios in 2023 is mainly due to the default of a small number of larger exposures in the real estate segment, which are, however, collateralised to a very high degree
- There is no US CRE exposure

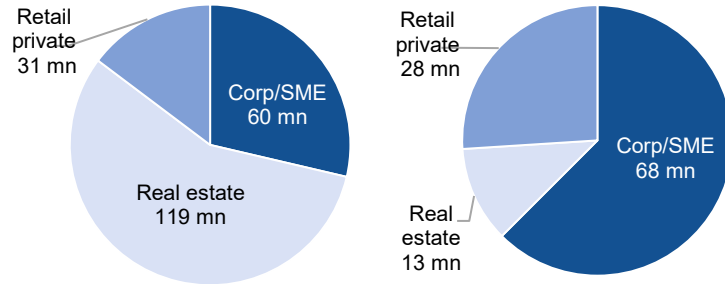
<sup>1)</sup> Loans and receivables based on risk view (total loans extended)

# 3 Distribution of non-performing loans

## Total non-performing loans<sup>1)</sup>

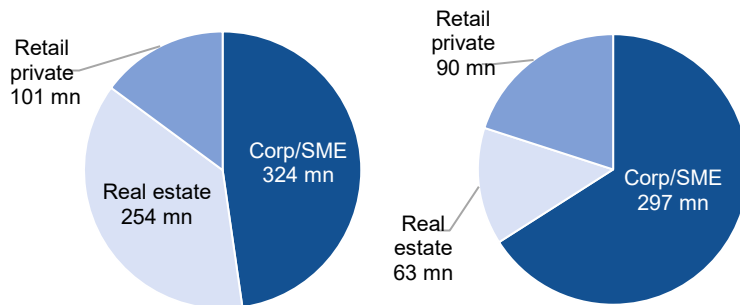
### Volksbank Wien

12/2023 (EUR 210 mn) / 12/2022 (EUR 109 mn)



### Association

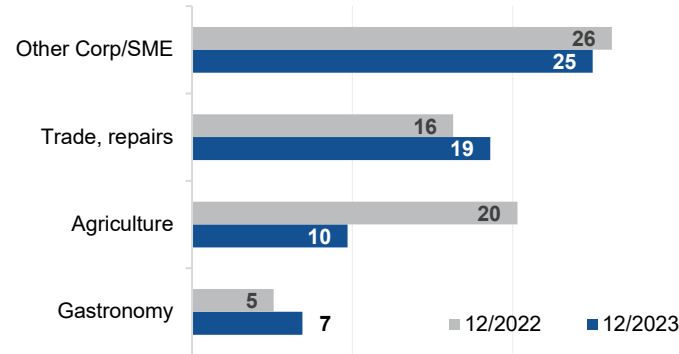
12/2023 (EUR 680 mn) / 12/2022 (EUR 451 mn)



## NPLs Corp/SME<sup>1)</sup>

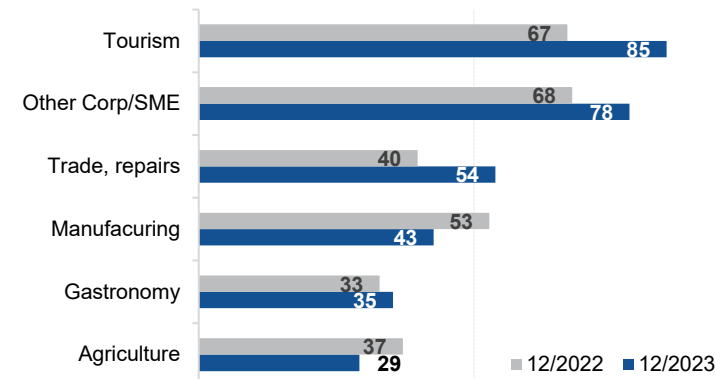
### Volksbank Wien

12/2023 (EUR 60 mn) / 12/2022 (EUR 68 mn)



### Association

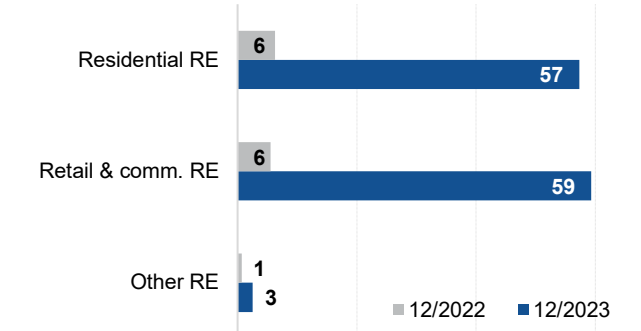
12/2023 (EUR 324 mn) / 12/2022 (EUR 297 mn)



## NPLs real estate<sup>1)</sup>

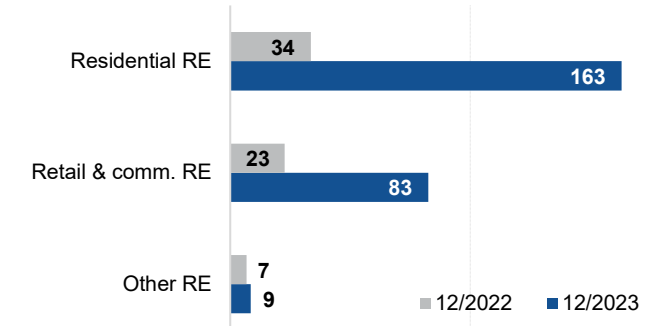
### Volksbank Wien

12/2023 (EUR 119 mn) / 12/2022 (EUR 13 mn)



### Association

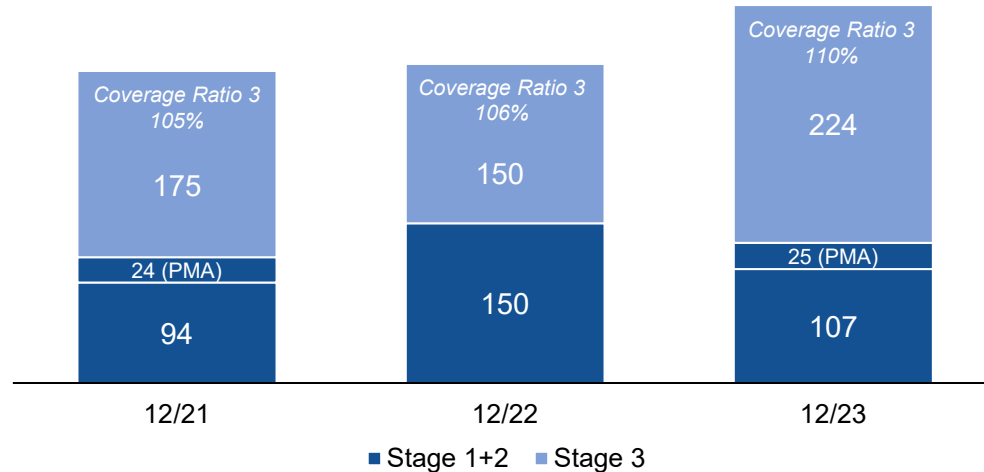
12/2023 (EUR 254 mn) / 12/2022 (EUR 63 mn)



<sup>1)</sup> Loans and receivables based on risk view (total loans extended)

# 3 Association: development of risk provisions

## Stock of risk provisions (EUR mn)



## Stock of risk provisions

- Adequate stage 3 risk provisions in an amount of EUR 224 mn result in a NPL coverage in form of the **coverage ratio 3** (risk provisions plus loan collateral after haircuts) of **110%** which is clearly above the internal target value of >104%
- As or 31 December 2023 the total amount of **post-model adjustments (PMA)** stood at **EUR 25 mn** (no PMAs were booked in 2022). PMAs were built to reflect current developments on the real estate market and uncertainty of macroeconomic forecasts

## Risk provisions p&l (EUR mn)

Association	FY 2021	FY 2022	FY 2023
Stage 1+2	72	-39	6
Stage 3	12	17	-70
Other <sup>1)</sup>	6	-9	-1
<b>Total</b>	<b>89</b>	<b>-31</b>	<b>-65</b>
<b>Total (in bp)</b>	<b>35</b>	<b>-12</b>	<b>-24</b>

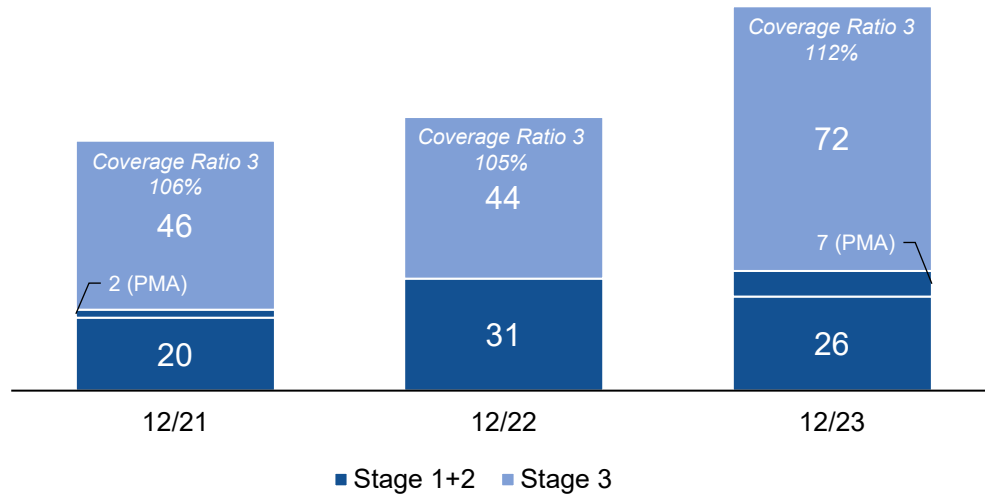
## Risk provisions p&l

- The Association's total risk costs as of 12/2023 were **EUR -65 mn**
- The y-o-y increase is due to defaults (**stage 3 risk provisions EUR -70 mn**) of loans in the real estate segment as a result of the current adverse developments on the real estate market (in particular inflation, increased construction costs, higher interest rates, delays in sales, etc.)

1) Direct write-offs, income from loans and receivables previously written off, valuation results modification/de-recognition, risk provisions for the securities business

# 3 Volksbank Wien: development of risk provisions

## Stock of risk provisions (EUR mn)



## Stock of risk provisions

- At **112%** as of 12/2023, Volksbank Wien's **coverage ratio 3** exceeds the internal target value of >104%
- Similar to the Association, VB Wien also decided to book post-model adjustments due to current developments in the commercial real estate segment. Total **post-model adjustments** in VB Wien stood at **EUR 7 mn** at the end of 2023

## Risk provisions p&l (EUR mn)

VB Wien	FY 2021	FY 2022	FY 2023
Stage 1+2	11	-10	5.1
Stage 3	3	-1	-28.3
Other <sup>1)</sup>	2	1	-0.2
<b>Total</b>	<b>17</b>	<b>-10</b>	<b>-23.5</b>
<b>Total (in bp)</b>	<b>26</b>	<b>-14</b>	<b>-42</b>

## Risk provisions p&l

- Volksbank Wien's **total risk costs** stood at **EUR -24 mn** as of 31 December 2023
- As at the Association level, the increase is attributable to defaults of loans of the real estate segment (**stage 3 risk provisions EUR -28 mn**)

1) Direct write-offs, income from loans and receivables previously written off, valuation results modification/de-recognition, risk provisions for the securities business

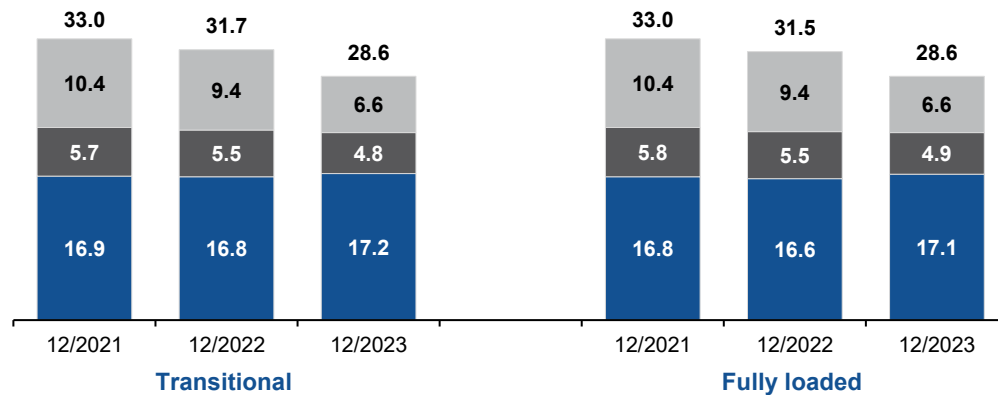
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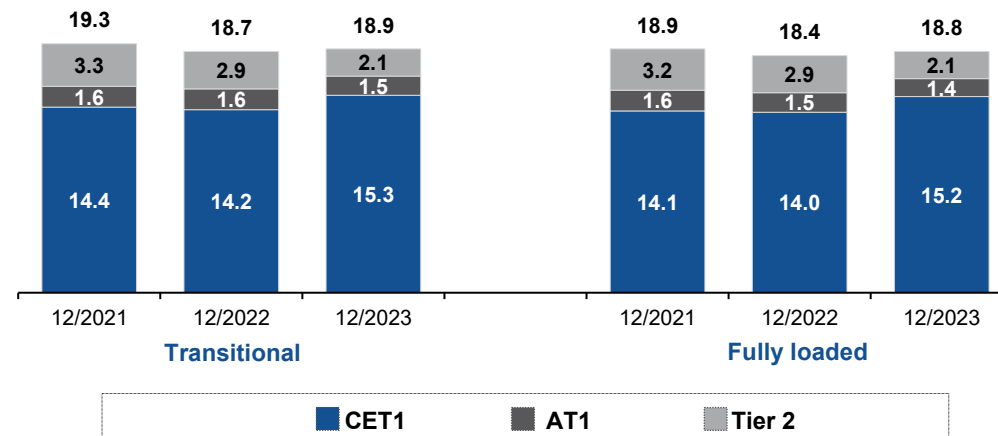
1	Overview Volksbank Wien and Association
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	Annex: Association's structure and governance

# 4 Capital ratios clearly above requirements

## Capital ratios Volksbank Wien (%)



## Capital ratios Association (%)



- **SREP ratios as of 31 December 2023:** CET1 pillar 1 requirement 4.5%, pillar 2 requirement (P2R) 2.5%, capital conservation buffer 2.5%, systemic risk buffer 0.5%, other systemically important institutions buffer 0.75%, countercyclical capital buffer 0.04%, pillar 2 guidance (P2G) 1.25%
- In 2024 the pillar 2 requirement (P2R) will drop from 2.5% to 2.25%, the other systemically important institutions buffer will increase from 0.75% to 0.9%.
- The **effective CET1 requirement** (excl. P2G) is **10.7%** and includes a CET1 requirement for P2R of 1.41%<sup>1)</sup> as well as CET1 necessary to cover an AT1 / T2 shortfall of 1.0%<sup>2)</sup>
- The **overall capital requirement is 14.29%** (excl. P2G)
- Volksbank Wien as central organisation of the Association has to fulfil the **SREP capital requirements** on a consolidated basis together with the associated institutes (Association of Volksbanks)
- The **MREL requirement** is set at **27.32%** (including a 3.95% combined buffer requirement, the subordination requirement is 0) and is applicable on the Association level. Currently the MREL requirement is fulfilled, and a management buffer will be built up until year-end 2024. The Association expects a lower MREL requirement for 2024, as a change in the primary resolution strategy is anticipated
- **Risk-weighted assets as of 12/2023<sup>1)</sup>**
  - Association RWAs: **EUR 15.2 bn** (90% credit risk)
  - Volksbank Wien RWAs: **EUR 4.5 bn** (85% credit risk)

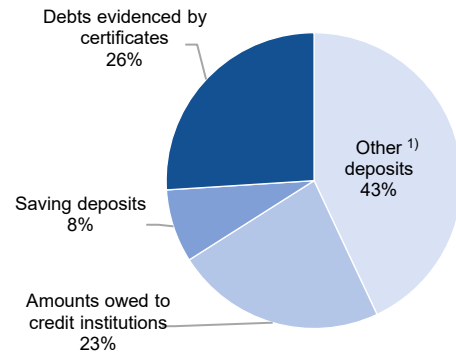
1) CET1 requirement for P2R 1.4%: 56.25% of 2.5%

2) Volksbank Wien announced that it would exercise the call right in its outstanding AT1 issue (euro 220 million); this increases the existing AT1 shortfall accordingly

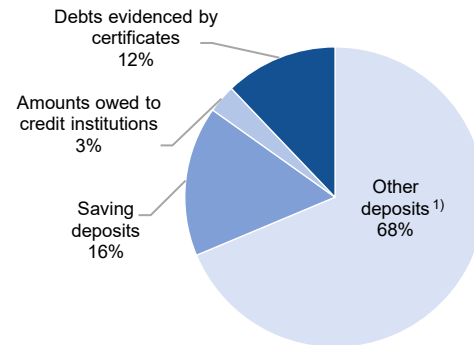
# 4 Funding structure and maturity profile

## Breakdown of VBW and AoV funding as of 12/2023

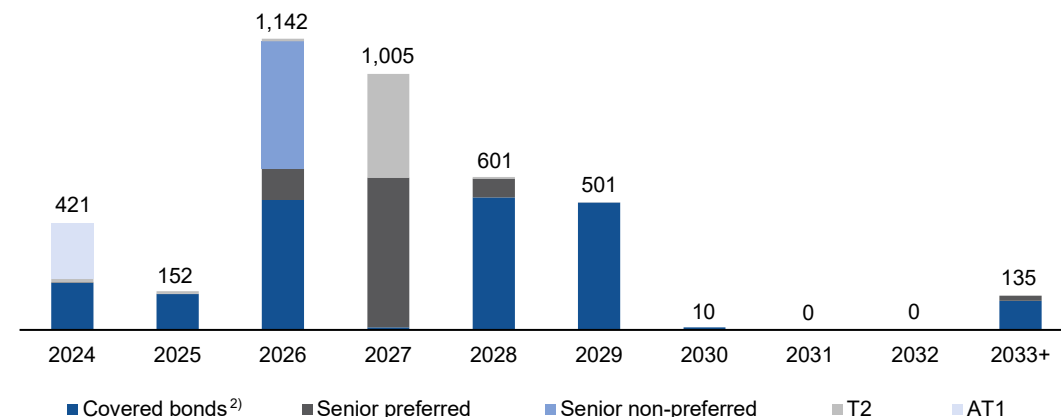
### Volksbank Wien: EUR 12.8 bn



### Association: EUR 26.3 bn



## Maturity profile of AoV issues as of 12/2023 (EUR mn)



- The funding mix of the Association is dominated by an approx. **84% share of customer deposits**; wholesale funding needs are limited
- **Volume of customer deposits** as of 12/2023
  - **Association:** savings deposits EUR 4.2 bn, other deposits (incl. term deposits) EUR 18.0 bn, retail bonds issued EUR 0.4 bn
  - **VBW:** savings deposits EUR 1.0 bn, other deposits (incl. term deposits) EUR 5.5 bn, retail bonds issued EUR 0.4 bn
- **Volume of deposits insured by deposit scheme** as of 12/2023
  - **Association:** EUR 14.3 bn (12/2023: ca. 970 ths customers)
  - **VBW:** EUR 4.0 bn (12/2023: ca. 299 ths customers)
- Member institutions are obliged to **place excess funding at the central organisation**
- The Association of Volksbanks participated in two tranches in **ECB's TLTRO III program** with a total amount of EUR 3.5 bn, these funds were deposited with the ECB. After repayments in a total amount of EUR 2.9 bn, TLTRO III funds currently amount to **EUR 0.6 bn**
- **Leverage ratios** as of 12/2023: **8.1%** (Association) and **7.9%** (VBW)
- **Loan deposit ratios** as of 12/2023: **105.3%** (Association) and **91.9%** (VBW)
- The Association of Volksbanks has a **covered bond program** backed by mortgages of the regional Volksbanks at its disposal
- Long-term liquidity can therefore be generated through the **issuance of covered bonds rated Aaa by Moody's**

1) Other deposits: term deposits, giro deposits

2) Apart from the CBs placed externally shown above, covered bonds in an amount of approx. EUR 1.2 bn were placed as collateral at ECB



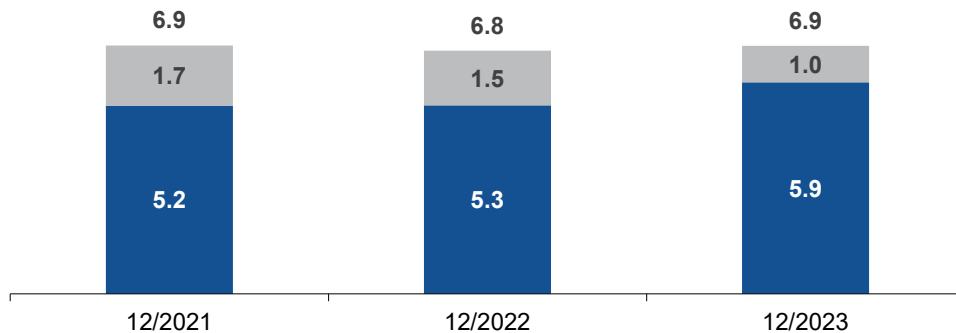
# 4 Association and Volksbank Wien: amounts owed to customers

## Development savings deposits, other deposits & retail bonds issued

### Volksbank Wien

(EUR bn)

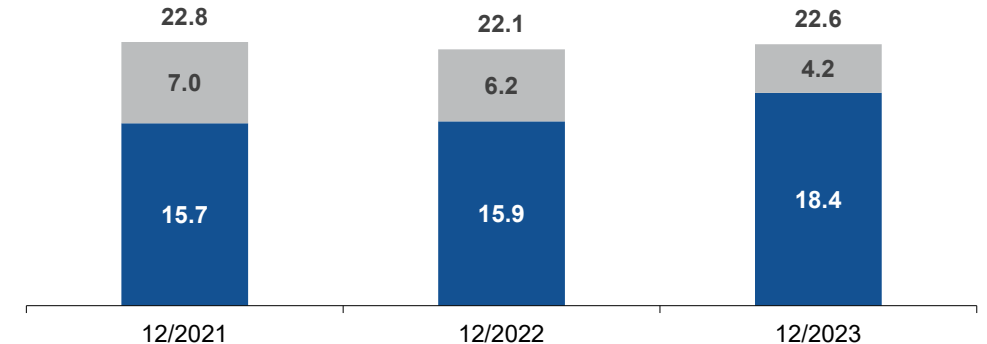
- Saving deposits
- Other deposits (giro deposits, term deposits) & retail bonds issued



### Association of Volksbanks

(EUR bn)

- Saving deposits
- Other deposits (giro deposits, term deposits) & retail bonds issued



- A clear shift from giro deposits and saving deposits to products carrying higher interest rates (primarily term deposits and online savings) was recorded in 2023
- Volksbank Wien announced on March 1, 2024 that it would exercise the call right in its outstanding AT1 issue (euro 220 million), this increases the existing AT1 shortfall accordingly
- Primary funds were stable at the primary banks<sup>1)</sup> in fiscal year 2023 (+ EUR 94 mn), primary bank's net sale of Volksbank Wien retail bonds was EUR 373 mn in 2023
- Over the course of the year 2023, the interest rate of primary funds rose to 1.3%, and in December 2023 the deposit beta was 34%<sup>2)</sup>

1) Primary banks: regional Volksbanks (incl. VBW Retail, excl. VBW CO) and Ärzte- und Apothekerbank

2) Average interest rate in relation to 3-months Euribor

# 4 Volksbank Wien: available distributable items (ADIs)<sup>1)</sup>

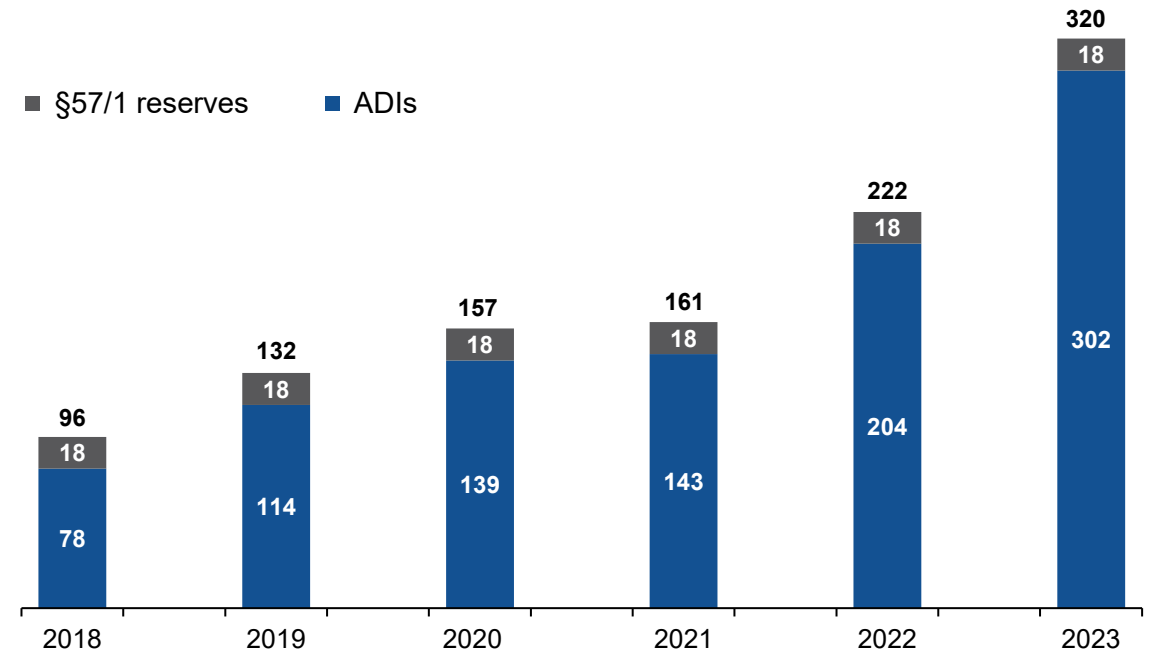
## Available distributable items

- Dividends and discretionary coupon payments are subject to **regulatory requirements, results and sufficient distributable items**
- Distributable items are determined on the basis of **Volksbank Wien's unconsolidated annual financial statements, based on UGB/BWG (local Austrian GAAP)**
- As of 12/2023, **Volksbank Wien's ADIs** were **EUR 301.6 mn**
- Volksbank Wien's **profit for the year 2023** based on local GAAP of **EUR 101.3 mn.** is included in the ADIs as of 12/2023

## § 57/1 BWG reserves<sup>2)</sup>

- VBW has **EUR 17.9 mn § 57/1 BWG-PWB reserves** to cover potential risk costs or generate income from release of this reserve

## ADIs and § 57/1 reserves (EUR mn)



1) Available distributable items as defined in Article 4 (1) (128) CRR

2) (Voluntary) reserve for reasons of prudence according to § 57/1 Austrian Banking Act (BWG), reserve can be released on the basis of a resolution by the management board, source: VBW internal calculation

# 4 Maximum distributable amount (MDA)

## Maximum distributable amount (fully loaded)



- The Association's **effective CET1 requirement (excl. P2G)** is **10.7%** and includes the CET1 requirement for P2R of 1.41% (56.25% of 2.5%) as well as CET1 necessary to cover the AT1 / Tier 2 shortfall of 1.0% (fully loaded)
- Volksbank Wien announced on March 1, 2024 that it would exercise the call right in its outstanding AT1 issue (euro 220 million), this increases the existing AT1 shortfall accordingly
- No AT1 / Tier 2 shortfall on the level of Volksbank Wien
- Pillar 2 requirement, systemic risk buffer and other systemically important institution buffer requirements are only applicable on the consolidated Association level

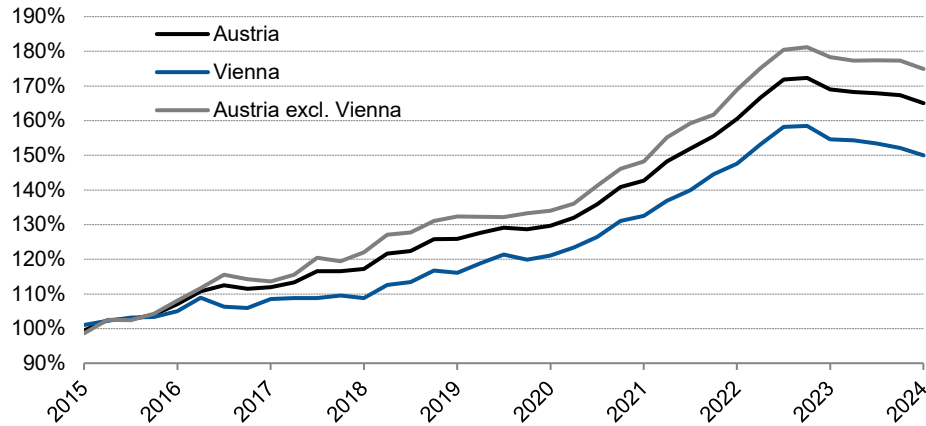
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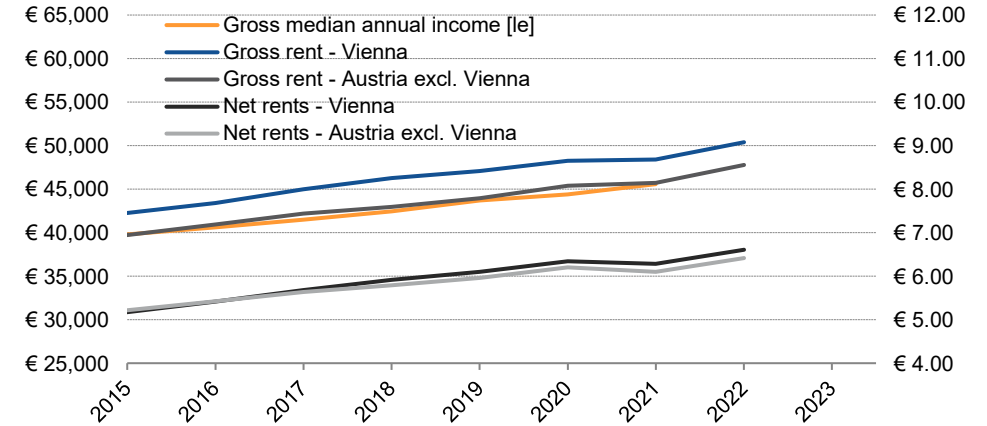
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# 5 Austrian real estate market

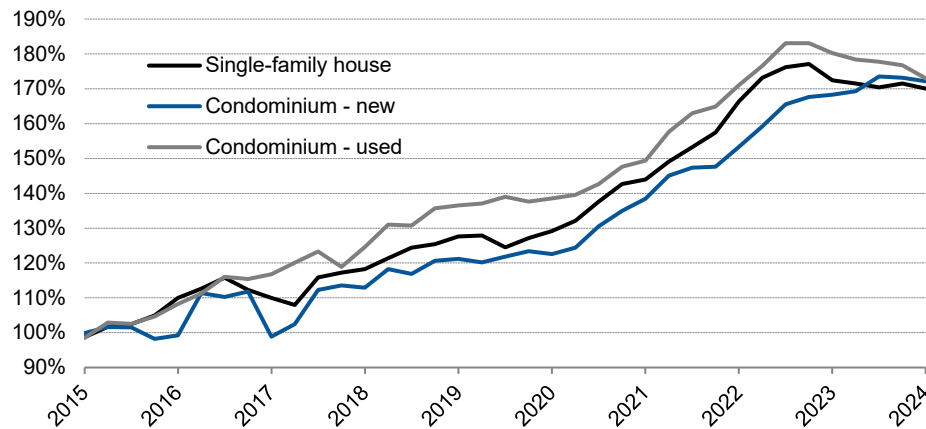
## Austria: real estate prices<sup>1)</sup>



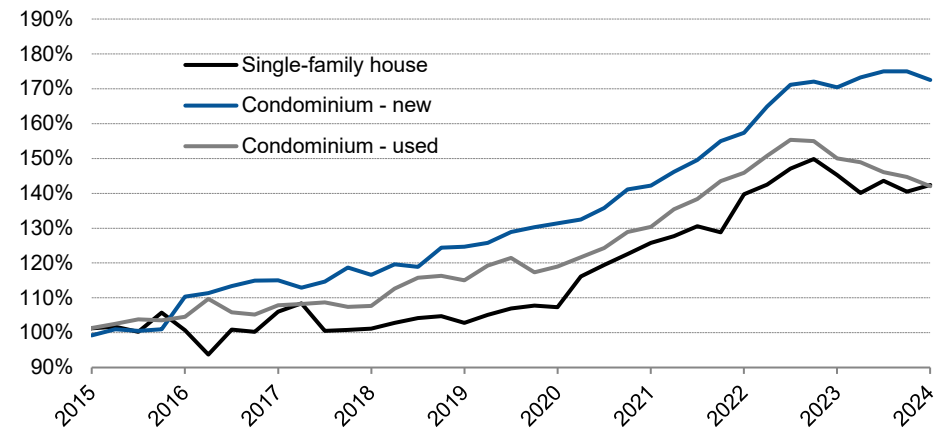
## Gross median income & rents<sup>2)</sup>



## Austria excl. Vienna: real estate prices<sup>1)</sup>



## Vienna: real estate prices<sup>1)</sup>



1) Austrian National Bank (OeNB) „Immobilienpreisindex“

2) Statistik Austria

# 5 Covered pool: overview

## Overview

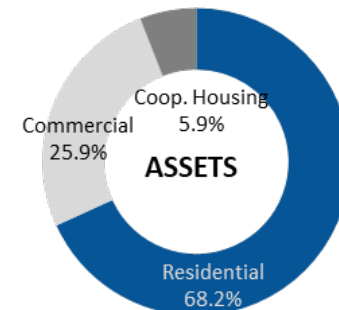
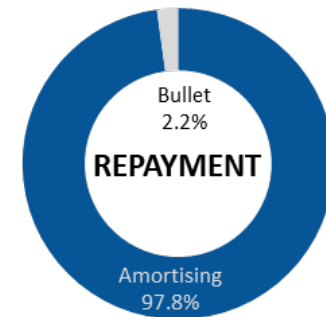
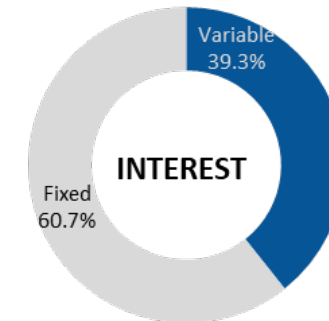
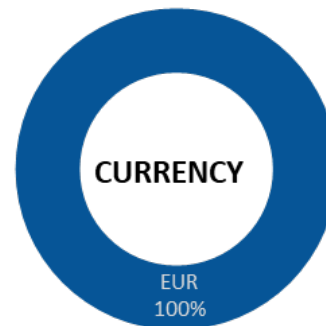
Total assets in the cover pool (EUR mn)	5,229
Total outstanding liabilities (EUR mn)	3,196
Current OC (nominal basis)	63.62%
Number of loans	37,113
Number of borrowers	31,251
Average loan balance (EUR)	140,896
Properties located in Austria	100%
Share of 10 biggest loans	1.14%

as of 31 Dec 2023

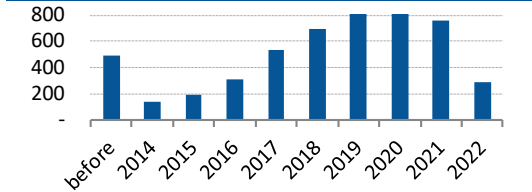
## Moody's rating figures

Pool rating	Aaa
CR assessment	A1(cr)
Deposit rating	baa1
TPI payment indicator	probable-high
TPI leeway	3 notches
OC consistent with current rating	10.5%
Collateral score	6.6% / 6.6%
WA LTV (indexed / unindexed)	57% / 64%
WA seasoning (in months)	62
WA remaining term (in months)	228

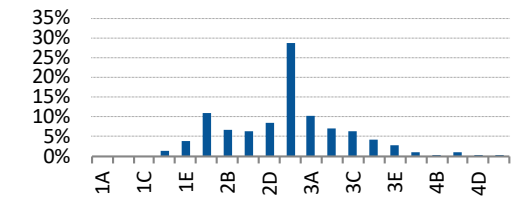
as of 30 Sep 2023



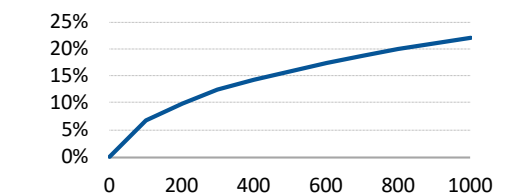
## Seasoning



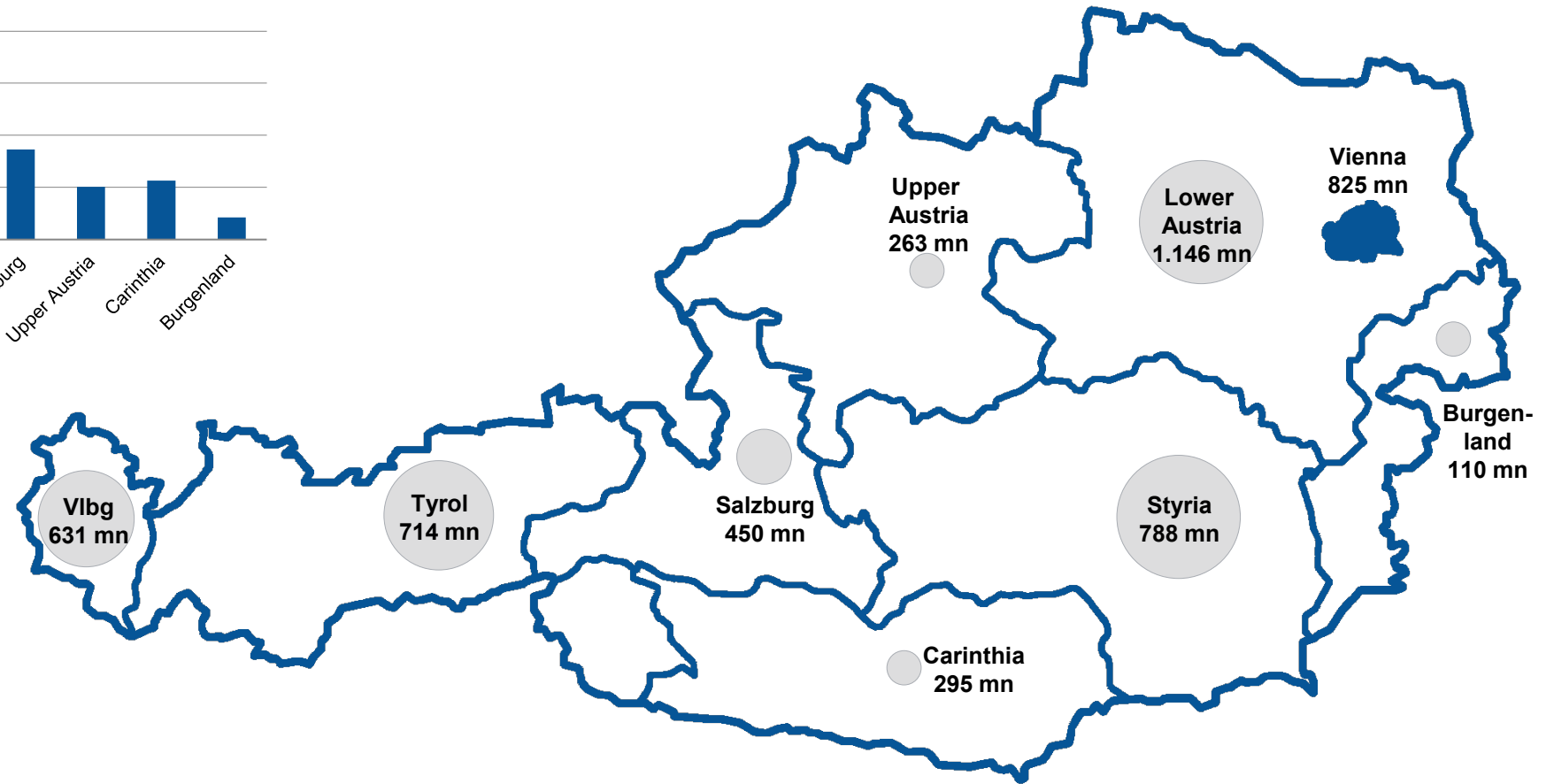
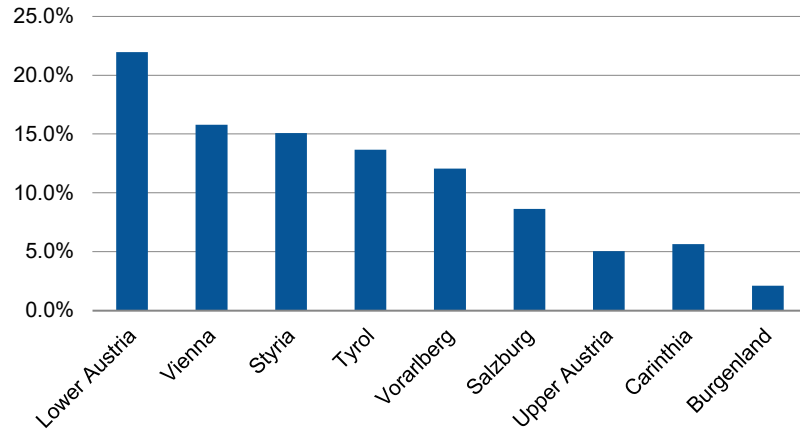
## Rating distribution



## Granularity of the pool



# 5 Covered pool: regional distribution



Source: ATT Covered Bond Report 12/2023 / Moody's Covered Bond Report 09/2023 (available on [www.volksbankwien.at/investoren](http://www.volksbankwien.at/investoren))

# 5 Covered pool: real estate type

	CRE				RRE				Total				
	Number of loans	Covered value	Avg. indexed LTV	Share	Number of loans	Covered value	Avg. indexed LTV	Share	Number of loans	Covered value	Avg. indexed LTV	Share	Share cumulative
Single family home	493	93,546,760	53.9%	1.8%	16,782	1,879,464,559	53.4%	36.0%	17,275	1,973,011,319	53.4%	37.7%	37.7%
Condominium	489	89,618,995	60.1%	1.7%	10,103	1,065,765,611	55.0%	20.4%	10,592	1,155,384,606	55.4%	22.1%	59.8%
Apartment building	836	596,274,564	64.3%	11.4%	2,852	367,899,494	52.0%	7.0%	3,688	964,174,058	59.6%	18.4%	78.3%
Accommodation property	495	168,420,882	52.2%	3.2%	6	2,139,496	48.2%	0.0%	501	170,560,378	52.2%	3.3%	81.5%
Commercial/industrial building	522	169,985,463	58.1%	3.3%	13	1,845,740	39.4%	0.0%	535	171,831,203	57.9%	3.3%	84.8%
Row house	26	7,674,533	74.8%	0.1%	1,038	140,999,053	61.3%	2.7%	1,064	148,673,586	62.0%	2.8%	87.7%
Residential/commercial building (mixed use)	221	80,774,829	77.1%	1.5%	380	62,059,783	63.8%	1.2%	601	142,834,612	71.3%	2.7%	90.4%
Agricultural/forestry property (developed)	776	111,513,902	44.5%	2.1%	6	1,207,921	52.6%	0.0%	782	112,721,823	44.6%	2.2%	92.6%
Office property	172	76,143,514	71.8%	1.5%	3	497,838	57.5%	0.0%	175	76,641,352	71.7%	1.5%	94.0%
Retail property	132	65,177,848	66.0%	1.2%	3	345,141	48.8%	0.0%	135	65,522,988	65.9%	1.3%	95.3%
Agricultural/forestry property (undeveloped)	443	53,472,127	45.3%	1.0%	3	212,928	58.5%	0.0%	446	53,685,055	45.4%	1.0%	96.3%
Residential plot	34	11,570,734	62.4%	0.2%	221	29,930,926	51.6%	0.6%	255	41,501,661	54.6%	0.8%	97.1%
Restaurant property	128	33,673,025	61.9%	0.6%	3	584,189	75.2%	0.0%	131	34,257,214	62.1%	0.7%	97.8%
Logistics property	54	32,732,360	64.7%	0.6%	2	426,149	61.9%	0.0%	56	33,158,509	64.7%	0.6%	98.4%
Social property	15	20,073,554	78.3%	0.4%	9	2,029,778	66.2%	0.0%	24	22,103,332	77.2%	0.4%	98.8%
Retirement home/dormitory	26	21,226,354	64.9%	0.4%	-	-	-	0.0%	26	21,226,354	64.9%	0.4%	99.2%
Commercial/industrial property	28	9,750,824	59.0%	0.2%	-	-	-	0.0%	28	9,750,824	59.0%	0.2%	99.4%
Leisure property	13	8,832,440	51.9%	0.2%	2	228,121	21.2%	0.0%	15	9,060,561	51.1%	0.2%	99.6%
Energy production property	22	5,435,147	37.7%	0.1%	2	1,196,406	73.0%	0.0%	24	6,631,553	44.1%	0.1%	99.7%
Garden allotment house	2	1,433,302	41.2%	0.0%	45	4,907,780	64.3%	0.1%	47	6,341,082	59.1%	0.1%	99.8%
Car parking space	6	1,131,469	64.6%	0.0%	36	4,136,655	62.6%	0.1%	42	5,268,124	63.1%	0.1%	99.9%
Residential plot for multiple dwelling	3	1,846,387	26.0%	0.0%	-	-	-	0.0%	3	1,846,387	26.0%	0.0%	100.0%
Residential plot for multiple dwellings	4	1,623,978	42.3%	0.0%	-	-	-	0.0%	4	1,623,978	42.3%	0.0%	100.0%
Infrastructure property	11	1,244,570	51.3%	0.0%	-	-	-	0.0%	11	1,244,570	51.3%	0.0%	100.0%

Source: ATT Covered Bond Report 12/2023 / Moody's Covered Bond Report 09/2023 (available on [www.volksbankwien.at/investoren](http://www.volksbankwien.at/investoren))



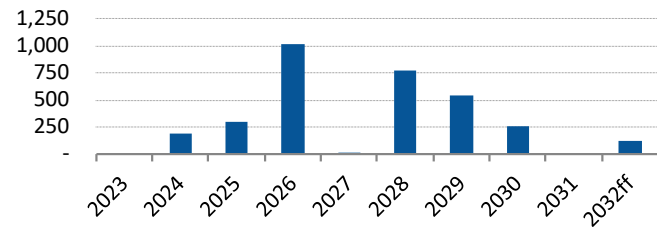
# 5 Covered bond liabilities

## Covered bonds

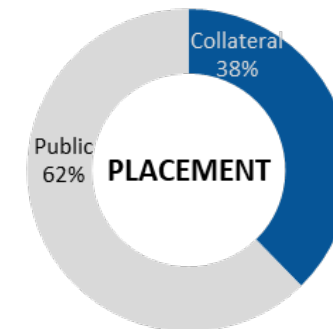
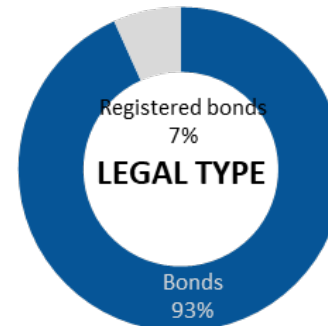
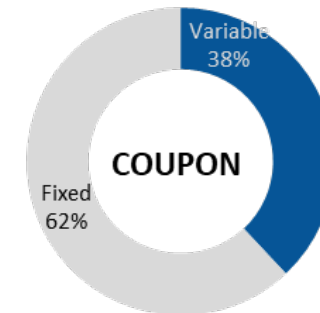
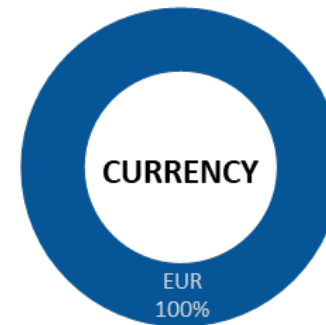
Total outstanding liabilities (EUR mn)	3,196
<i>thereof used as collateral</i>	1,205
Number of outstanding covered bonds	23
<i>thereof callable</i>	1
Average bond size (EUR mn)	139
WA remaining term (years)	3.92

as of 31 Dec 2023

## Amortisation profile



as of 31 Dec 2023



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# 5 Sustainability is part of the Association's corporate DNA

## Sustainability is in our roots and forms a strong foundation for the future



**Sustainability** has been an integral part of the business model of the cooperative Association of Volksbanks for 170 years, "**trust, regionality and customer proximity**" are the core values of the Association



Traditionally, Volksbank's clients are also their owners. The **cooperative principle** promotes the regional economic cycle and ensures that capital and liquidity are employed regionally. The Volksbanks operate within their respective regions with the statutory goal of **supporting economic development in their region**



Volksbank Wien and the Association aim at a **further increase of sustainable products and services** offered and attach **great importance to sustainability** when selecting **product partners and suppliers**



### Early engagement in international initiatives

- **Global Compact** signed in 2018
- **First sustainability report according to GRI-standards** for the business year 2019
- Commitment to the UN's **SDGs**



Volksbank Wien issued its **first green bond in 2023**



Together with the other members of the Association, Volksbank Wien is one of the most important lenders in the segment of **project financing for renewable energy** in Austria. The Association of Volksbanks aims at **GHG-neutral operations by 2030** (scope 1+2)

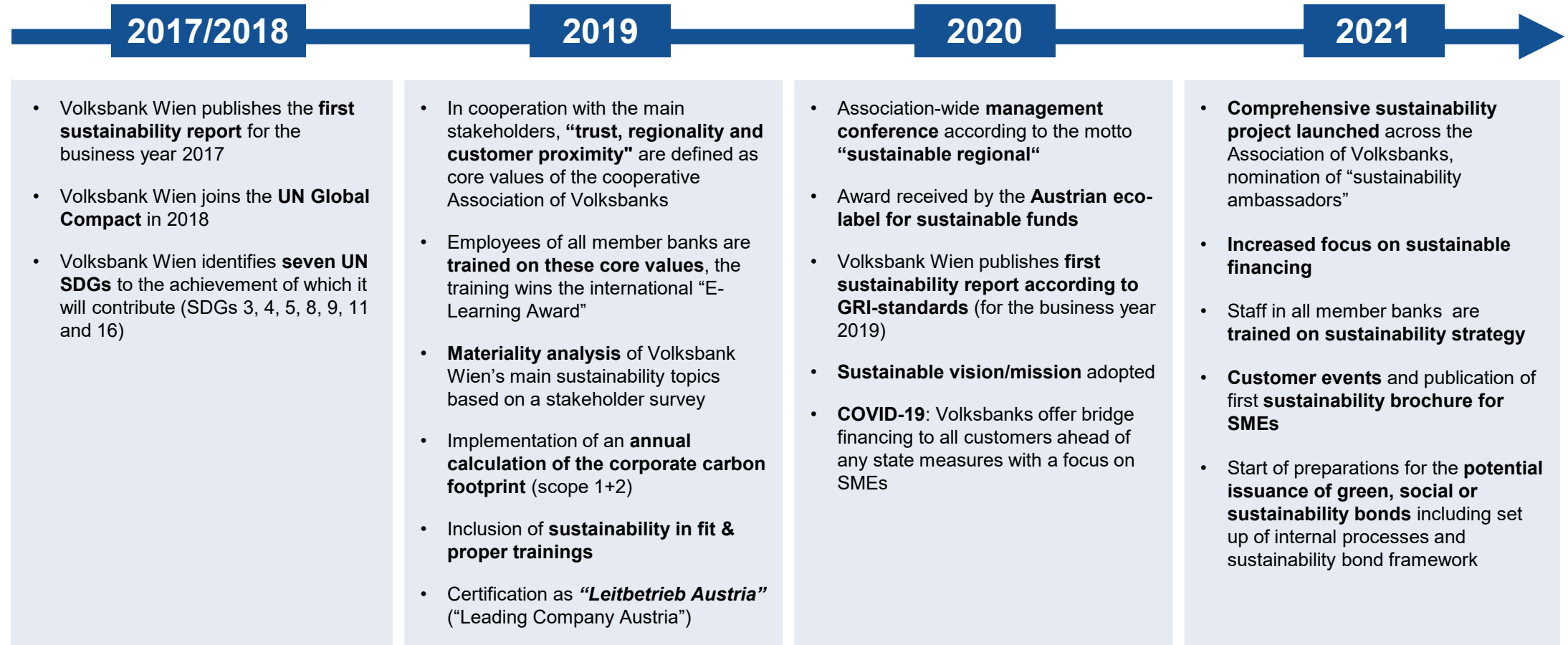


ESG rating of "**Low ESG Risk**" from Sustainalytics

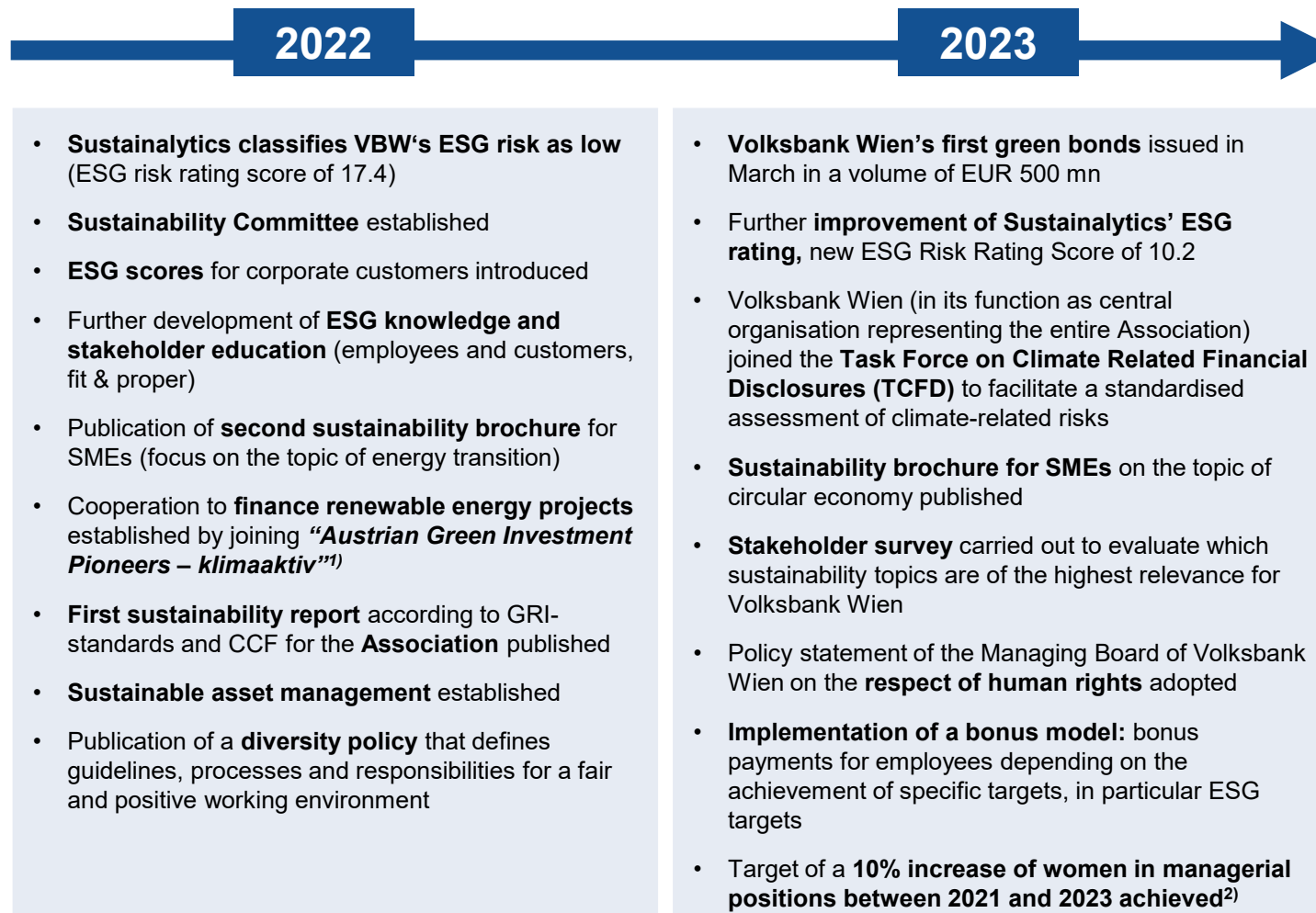


**Integration of ESG risks** into Volksbank Wien's risk management, especially in the lending business and in project financing

# 5 ESG management – milestones (1/2)



# 5 ESG management – milestones (2/2)



1) **Austrian Green Investment Pioneers** (Volksbanks together with PowerSolution and ÖGV – Österreichischer Genossenschaftsverband): Companies, municipalities and households are supported in the construction, operation and financing of sustainable energy plants, in 2022 the foundation of 17 energy cooperatives was supported | 2) The proportion of women in managerial positions as of 12/2023 was 34.7% in VBW and 26.7 at the Association level, representing an increase of 22.4%% (VBW) and 13.2% (Association) between 2021 and 2023

# 5 Strategies and objectives

## Acting in an eco-minded and climate-conscious manner, improving sustainability across all areas

- Establishment of a climate strategy
- Continuous reduction of indirect CO<sub>2</sub> emissions from the core business (e.g. from financings and investments)
- Regular monitoring of the carbon footprint
- Carbon footprint reduction as important goal in the banking book, improve on the already very low CO<sub>2</sub> footprint of 7.4 t / million EUR turnover on average
- Greenhouse gas-neutral operations by 2030. A decarbonisation path was developed, and the targets were adopted as KPIs in the bonus model
- Continuous y-o-y growth in the areas of subsidised housing and social cooperative housing
- Further increase in offered range of sustainable products and services
- Increase the amount of real estate financing suitable for a green bond issue
- Share of financing abroad not to exceed 5% of loan book
- Focus on providing financing for renewable energy projects
- Proportion of women in managerial positions to grow by 10% between 2023 and 2025
- Promoting good working conditions

Based on a materiality analysis updated in 2021, Volksbank Wien has assigned material topics to specific SDGs

<b>Climate action</b> 	<b>Decent work and economic growth, quality education</b>  	<b>Good health and well-being</b> 	<b>Sustainable cities and communities</b> 	<b>Gender equality</b> 	<b>Industry, innovation and infrastructure</b> 
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# 5 ESG rating, certifications, memberships



**Volksbank Wien is rated „Low Risk“ by Sustainalytics with an ESG risk rating score of 10.2**

### ESG risk exposure - 35.6 (medium):

*„The company's overall exposure is medium and is similar to subindustry average.“*

### ESG risk management - 75.0 (strong):

*„VBW manages its ESG risks well, with the company scoring strongly for all material ESG themes.“*

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## Certifications

Three sustainable funds were certified with the Austrian eco-label (UI)



“der faire Credit”: further award for service and advisory quality



Volksbank Wien recertified as “Leading Company”

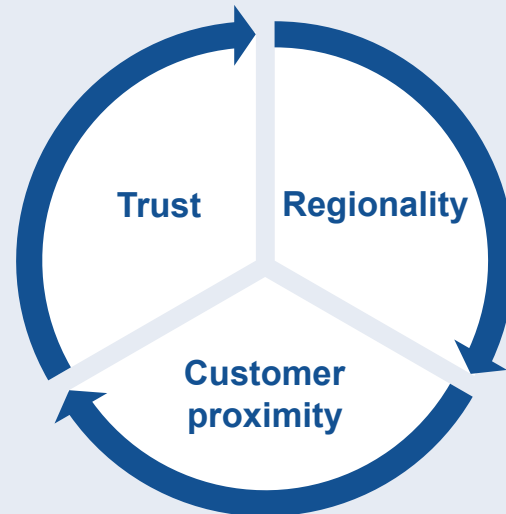


## Memberships in ESG-related initiatives



# 5 Volksbank Wien's sustainability principles

Three pillars form the basis of Volksbank Wien's sustainable actions, the focus is on the topic of "regional sustainability"



## Volksbank Wien

- Operates sustainably in the region based on cooperative values
- Takes responsibility for the long-term well-being of customers and employees
- Acts in an environmentally and climate conscious manner

## Volksbank Wien

- Is committed to the **Paris Agreement on Climate Protection**
- Aligns its business strategy with the **SDGs of the United Nations** and thus contributes to their achievement
- Through its **membership in the UN Global Compact**, Volksbank Wien underlines the importance of sustainability in its business activities and **supports the 10 principles of the UN Global Compact** for the development of a sustainable world economy for the benefit of all people, communities and markets
- By adhering to these principles, the bank is committed to **responsible corporate governance** and anchors **sustainability as an integral part of its corporate culture**
- Volksbank Wien aims at **appropriately managing ESG risks** and enhancing positive impacts of its business activities on environment and people
- Enables responsible cooperation with clients by offering **sustainable products and services**
- Policy statement of the Managing Board of Volksbank Wien on the **respect of human rights** adopted

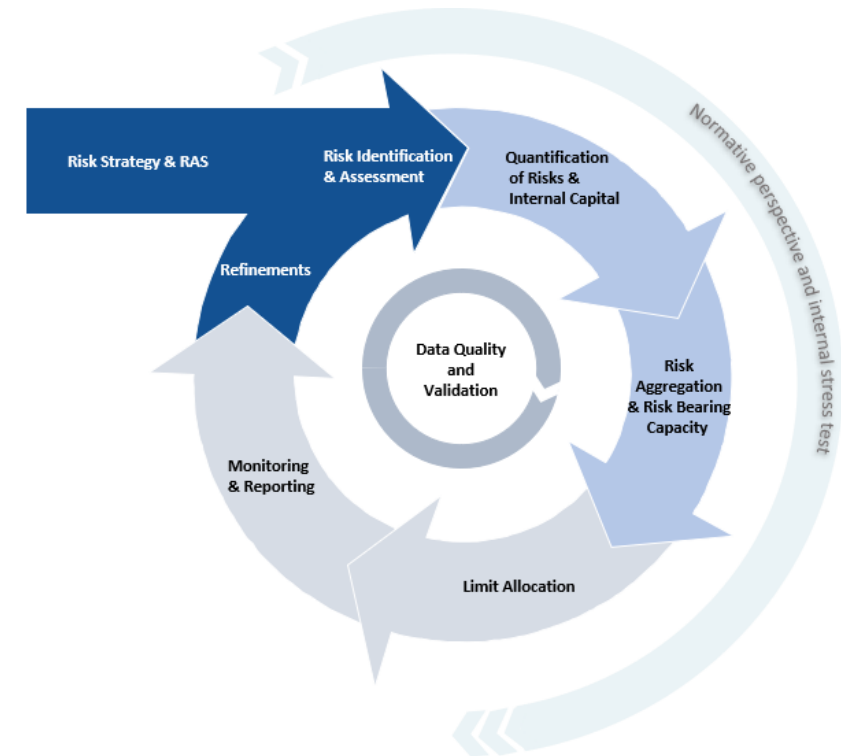


# 5 ESG risks are included in the risk management process and in the credit risk framework (1/2)

ESG risks were integrated into the risk frameworks and thus represent an integral part of the risk management process for the entire Association of Volksbanks

- The Association of Volksbanks is an **ECB-supervised institution** and therefore complies with high supervisory standards
- ESG risks are managed centrally by the **risk management function**
- **Executive board** is involved in the process of management of ESG risks
- Coverage of ESG risks in **regular risk reporting**, with **quarterly reporting to the supervisory board** on progress in the integration of ESG risks
- Standardised identification of ESG risks in the **risk inventory via ESG heat maps**
- ESG risks are also quantified in the **risk-bearing capacity calculation**
- Calculation of **ESG-related scenarios** in the internal stress test
- The **Association's risk strategy** reflects the results of the internal stress test and the risk inventory
- Evaluation of ESG aspects in the **new product process**

Risk management process



## 5 ESG risks are included in the risk management process and in the credit risk framework (2/2)

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- The composition of the overall risk position corresponds to the pattern of a **regionally active retail bank**. Credit risk accounts for the largest share of the overall risk position
- The focus of sustainability-related measures is on **commercial customers and real estate customers**
- ESG risks have been included in the credit decision since 2021:
  - The assessment of **debt servicing capacity** is carried out taking into account **physical and transitory risks**
  - Risks are also taken into account in **regular credit reviews**
  - Financed transactions must comply with **environmental protection regulation**
  - **No business** is conducted in **environmentally or socially harmful areas**
  - The list of undesirable sectors includes **ethically questionable sectors and business areas** as well as **environmentally and socially questionable sectors**
- Since mid-2021, **ESG aspects have been included in property valuations**
  - In addition, environmental impacts, energy efficiency and the use of fossil fuels in buildings are documented

# 5 Volksbank Wien has defined 10 specific targets for the areas environment, social and governance



- We maintain a maximum ESG rating of 20 from Sustainalytics and thus remain in Sustainalytics' "low risk" rating category
- We continue to further align our lending standards with ESG standards and we define adequate procedures for all customer segments to take ESG criteria into account in lending decisions
- We are gradually achieving the highest share of ESG products in the Austrian market (own products and products of our partners)
- By 2030, operations of the Association of Volksbanks will be greenhouse gas-neutral



- We score highest in terms of customer satisfaction in the Austrian banking market and significantly increase the satisfaction of our employees
- We increase diversity within the Association of Volksbanks significantly
- We promote sustainable economic projects in the region through the cooperative dividend cycle and are building a sustainability hub to interconnect sustainable activities



- We create transparency in the disclosure of GAR<sup>1)</sup>, CO<sub>2</sub> emissions, governance structure, and bonus schemes with regard to sustainability
- A sustainability committee has been established in 2022 according to plan
- We integrate sustainability in the "three lines of defense" model

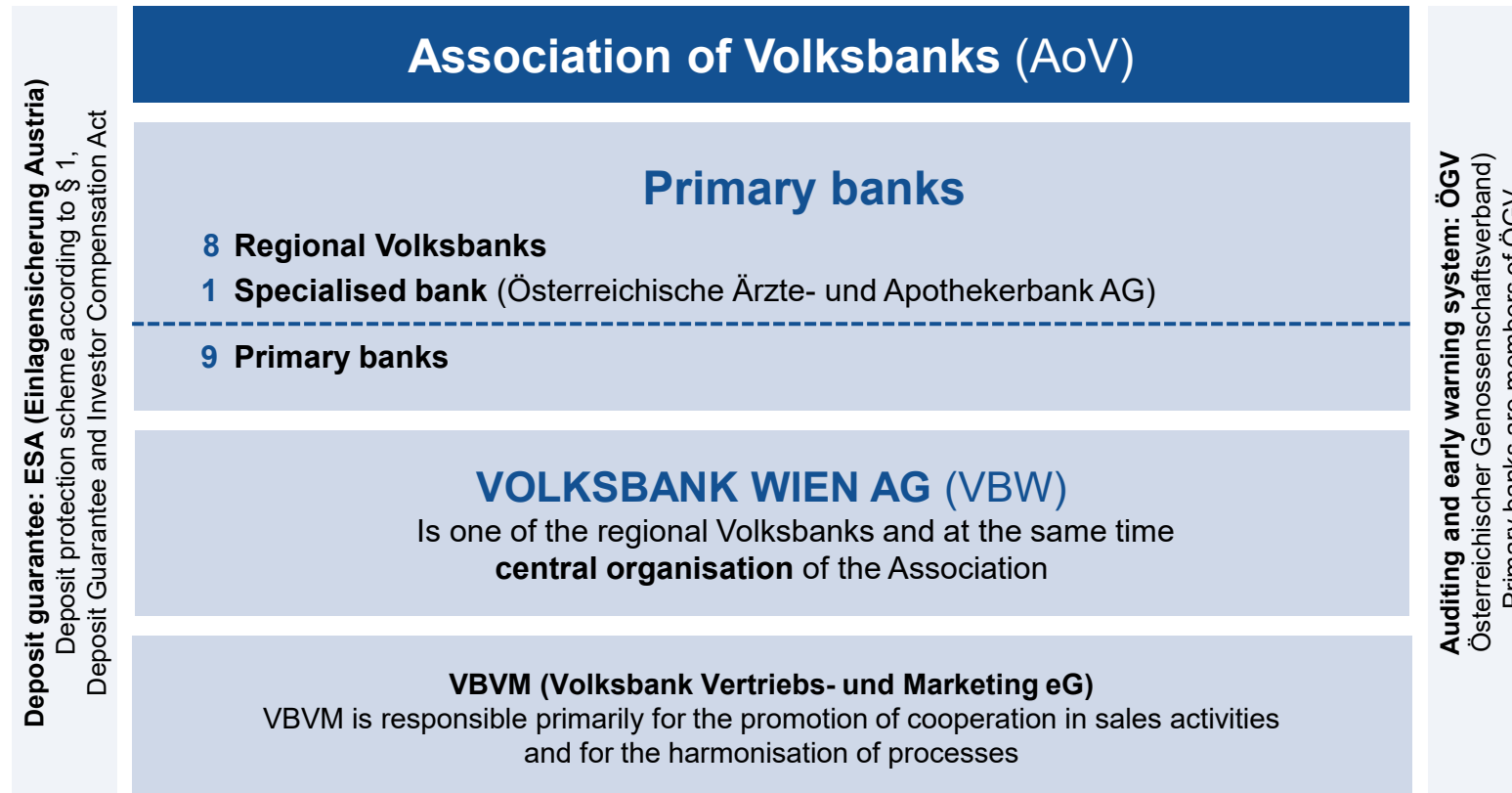
1) GAR: green asset ratio

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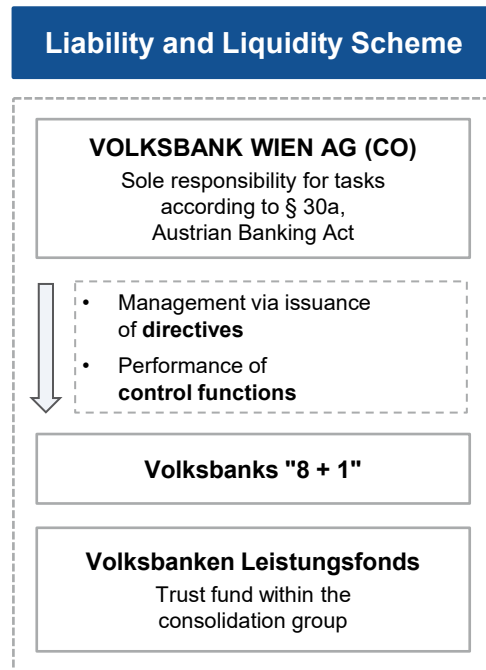
# Association of Volksbanks: structure



**Deposit guarantee: ESA (Einlagensicherung Austria)**  
 Deposit protection scheme according to § 1,  
 Deposit Guarantee and Investor Compensation Act

**Auditing and early warning system: ÖGV**  
 Österreichischer Genossenschaftsverband  
 Primary banks are members of ÖGV

# Association of Volksbanks: governance



- The **CO Volksbank Wien and the regional Volksbanks** have established a **joint liability scheme**:
    - They are mutually obliged to jointly support a member institution should difficulties arise.
    - Liabilities and contributions are unlimited.<sup>1)</sup>
  - The Association contract forms the basis of the liability scheme:
    - The CO performs significant control functions, is responsible for compliance with regulatory requirements and has the right to issue directives.
    - The CO's management can impose remedial actions on troubled primary banks if early-warning indicators (macroeconomic, market-based or breaches of capital, liquidity, profitability or asset-quality ratios) deteriorate (without consent of the bank concerned or preliminary consultation with the Association's members).
  - These remedial actions may take the form of equity injections, purchase of assets, short- and medium-term liquidity support, guarantees and other liabilities, subordinated loans, payment of third-party claims, lost grants and management support.
  - For covering CET1 shortfalls the central organisation has access to the trust fund (Leistungsfonds).
- 
- The Association's members together form a **liquidity scheme**. The **CO is obligated to control liquidity in the Association** to ensure compliance with all material supervisory regulations at all times. The Association's member institutions are obligated to invest their liquidity at the CO.

- **Volksbanken Leistungsfonds (VL)** is a trust fund established to enable the CO to take immediate remedial action to support the CET1 basis of any Association member to prevent a threatening deterioration of its financial position.
- With EUR 100 mn the fund has reached its target size in 2021.
- If the CO estimates that VL is insufficient to cover support needs as these arise, it can call unilaterally for additional unlimited contributions from the other VBs.<sup>1)</sup>
- Assets of VL are included in the Association's core capital.

The Association of Volksbanks serves to ensure both the **regulated transfer of liquidity between its members and mutual liability**, thereby providing an indirect guarantee for the creditors of all members of the Association of Volksbanks.

<sup>1)</sup> Liabilities and contributions are limited however in the case of the CO to the point where the CO still has to fulfil regulatory capital requirements and in the case of the other members to the point where any member would come close to non viability

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