ANNUAL REPORT 2023

KEY FIGURES OF VOLKSBANK WIEN AG

Euro million	31 Dec 2023	31 Dec 2022	31 Dec 2021
Statement of financial position			
Total assets	**15,100**	**14,460 ***	**16,923 ***
Loans and receivables customers	**5,817**	**5,481 ***	**5,396 ***
Amounts owed to customers	**6,532**	**6,765**	**6,922**
Debts evidenced by certificates	**3,323**	**1,723**	**1,908**
Subordinated liabilities	**402**	**399**	**403**
Own funds			
Common equity tier 1 capital (CET1)	781	676 *	648 *
Additional tier 1 capital (AT1)	220	220	220
Tier 1 capital (T1)	**1,001**	**896 ***	**868 ***
Tier 2 capital (T2)	300	380	400
Own funds	**1,301**	**1,276 ***	**1,268 ***
Risk weighted exposure amount credit risk	3,850	3,400	3,228
Total risk exposure amount market risk	23	21	27
Total risk exposure amount operational risk	662	597	571
Total risk for credit valuation adjustment	9	13	9
Total risk exposure amount	**4,543**	**4,032**	**3,835**
Common equity tier 1 capital ratio	**17.2 %**	**16.8 % ***	**16.9 % ***
Tier 1 capital ratio	**22.0 %**	**22.2 % ***	**22.6 % ***
Equity ratio	**28.6 %**	**31.7 % ***	**33.1 % ***
Income statement	**1-12/2023**	**1-12/2022**	**1-12/2021**
Net interest income	184.6	130.4	126.0
Risk provision	-23.5	-17.6 *	17.3 *
Net fee and commission income	64.2	59.9	58.6
Net trading income	3.2	1.7	2.0
Result from financial instruments and investment properties	-1.4	-9.5	8.7
Other operating result	126.3	89.2	98.7
General administrative expenses	-236.5	-207.2	-199.4
Result from companies measured at equity	0.7	-0.2	0.4
Result before taxes	**117.5**	**46.7 ***	**112.4 ***
Income taxes	16.5	20.0 *	-6.6 *
Result after taxes	**133.9**	**66.7 ***	**105.8 ***
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the Group	**133.9**	**66.7 ***	**105.8 ***
Operating result	**140.3**	**64.4**	**94.7**
Key ratios	**1-12/2023**	**1-12/2022**	**1-12/2021**
Cost-income-ratio	**62.5 %**	**74.2 % ***	**69.9 % ***
ROE before taxes	**11.3 %**	**4.9 % ***	**12.3 % ***
ROE after taxes	**12.9 %**	**7.0 % ***	**11.5 % ***
Net interest margin	**1.2 %**	**0.9 %**	**0.7 %**
NPL ratio	**3.1 %**	**1.7 %**	**1.7 %**
Leverage ratio	**7.9 %**	**7.7 %**	**5.7 %**
Net stable funding ratio	**181.5 %**	**174.6 %**	**189.8 %**
Liquidity Coverage ratio	**202.9 %**	**180.7 %**	**249.8 %**
Loan deposit ratio	**91.9 %**	**84.5 %**	**66.6 %**
Coverage ratio I	**31.4 %**	**34.8 %**	**35.8 %**
Coverage ratio III	**112.4 %**	**105.2 %**	**106.1 %**
Resources	**1-12/2023**	**1-12/2022**	**1-12/2021**
Staff average	**1,245**	**1,250**	**1,293**
Thereof domestic	1,245	1,250	1,293
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2021**
Staff at end of period	**1,265**	**1,237**	**1,270**
Thereof domestic	1,265	1,237	1,270
Number of branches	**54**	**54**	**56**
Thereof domestic	54	54	56
Number of customers	**298,994**	**308,379**	**324,921**

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.

* The previous years were restated in accordance with IAS 8.

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VOLKSBANK WIEN AG

GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

OFFICERS AND ADRESSES

FOREWORD BY THE CHIEF EXECUTIVE OFFICER

Gerald Fleischmann

CEO and Chairman
of the Managing Board

VOLKSBANK WIEN AG has made much progress in 2023, both as the largest regional bank among Austrian Volksbanks and in its function as the central organisation for the entire Association of Volksbanks in Austria.

The regional catchment area of VOLKSBANK WIEN AG comprises all of Vienna, Burgenland, and the eastern half of Lower Austria. Under the SPARDA-BANK brand, VOLKSBANK WIEN AG provides services to the target group of employees throughout Austria.

After three years dominated by the Covid pandemic and the resulting organisational consequences, 2023 continued to be affected in political terms by the war in Ukraine, and in economic terms by the massive changes in inflation, interest rates and commodity prices ongoing since 2022.

Although not directly involved in activities in the embattled regions of Ukraine, VOLKSBANK WIEN AG is indirectly affected by the impact on national economies, the financial industry and the bank's customers. The rise in energy prices and inflation, in particular, has impacted businesses and private customers to varying degrees.

For VOLKSBANK WIEN AG, as for the financial sector as a whole, regulatory requirements were again quite extensive in 2023. More restrictive regulations for private real estate financing had a particularly strong influence on retail business. As a consequence, the level of activity in the residential housing sector has declined greatly.

We are responding to this tense situation by simplifying our business model. By focusing on the core areas of deposits, loans and payment transactions, we are striving to achieve further efficiency increases in the medium term. In the service business with consumer credits, insurances, securities, leasing, real estate and other business segments, VOLKSBANK WIEN AG sells products sourced from top-quality partners with excellent expertise in these areas, such as TeamBank, ERGO Versicherung, IMMOcontract, and Union Investment.

Service business with our product partners developed very positively. For investment funds, the eighth year of cooperation with Union Investment was very encouraging: the excellent products of this international investment company were highly appreciated by the Austrian market, with net sales amounting to more than euro 271 million in VOLKSBANK WIEN AG alone. In the previous year, VOLKSBANK WIEN AG achieved sales of approx. euro 58 million through our cooperation – of several years already – with TeamBank in the area of consumer financing. The insurance business with ERGO Versicherung was the focus of increased attention following the early extension of the partnership in 2021.

In 2023, the lending business was marked by the regulatory risk requirements contained in the Immobilienkredit-Verordnung (property credit ordinance), resulting in a significant drag on private housing. Commercial real estate was exempt – in this segment, it was rather high interest rates that slowed down some projects. In corporate financing, the liquidity built up during the Covid pandemic and a number of postponed projects emerged as positive factors, while higher energy costs and the marked increase in interest rates caused some companies to act more cautiously when making new investments.

As relationship banks, the retail branches still constitute the primary sales channel of VOLKSBANK WIEN AG. The previous years' merging of individual branches has ensured that a high level of competence is available at all locations, both in retail and in corporate banking. All measures taken within the branch and sales organisation are aimed at putting an even greater focus on the customer and the quality of the consultancy we provide. We keep improving our locations in technical and functional terms. Obviously, this also includes continuous investments in the professional training and development of our employees. It is one of our clear goals to further enhance consultancy standards.

The digital world constitutes another important sales channel for all banks. Already six years ago, VOLKSBANK WIEN AG had responded to this development by launching a new digital web presence. Digitisation in retail banking made huge progress in 2023. We have significantly expanded the range of services we offer under the tag of "hausbanking". With numerous new product and service orders, customers can take care of many additional tasks relating to their financial transactions online.

Owing to the modern digital infrastructure, standard tasks can be carried out within 'hausbanking' by the customers themselves, while our consultants are available for individual meetings in case of complex consultancy requirements.

In spite of the early repayment of the final tranche of the government funds, we have managed to maintain the liquidity and capital base built up in recent years. This enables us to properly fulfil our economic core function, namely the financing of private individuals and businesses. The focus at Volksbank is on small- and medium-sized enterprises, in particular, which constitute a mainstay of the Austrian economy. Private customers appreciate the personal quality of our consultancy at eye level and the services tailored to their individual needs.

Together with the Volksbanks, we completed several projects again in the previous year with a view to pooling regulatory duties, control functions as well as internal settlement services throughout Austria. This aims at providing the Volksbanks, as retail banks, with greater freedom to focus on retail business even more. Our fundamental values in this context are trust, regionality and a customer focus. Within the new Association, VOLKSBANK WIEN AG assumes three functions: as retail bank in our catchment area, as service provider and as the central control unit for the entire Association. This is also reflected by the growth of our subsidiaries VB Services für Banken Ges.m.b.H. and VB Infrastruktur und Immobilien GmbH.

A project encompassing the entire bank was set up in order to implement ESG factors even more fully within Volksbank's core business. In the "Sustainability Project", measures were defined and systematically worked through by a strategy team and sustainability ambassadors of VOLKSBANK WIEN AG, who jointly implemented the legal requirements within the project. Following successful completion of the project in 2022, line management has been implementing the relevant processes ever since, with support from the Sustainability Committee. Sustainalytics, a leading agency in the field of sustainability ratings, reassessed the ESG risk of VOLKSBANK WIEN AG in 2023, classifying it as low.

The year 2023 saw numerous changes that have created many opportunities for the years to come. I would like to thank all employees, officers and owners for their enormous commitment. Special thanks go to our customers for their great loyalty to VOLKSBANK WIEN AG in the past year.

Vienna, March 2024

Gerald Fleischmann
CEO and Chairman of the Managing Board

REPORT OF THE SUPERVISORY BOARD

pursuant to section 96 of the Austrian Stock Corporation Act (Aktiengesetz) for the 2023 business year

Robert Oelinger

Chairman
of the Supervisory Board

In four ordinary, one constitutive and three extraordinary meetings, in further discussions and numerous committee meetings in the 2023 business year, the Supervisory Board obtained information on the legality, expediency and efficiency of the management as well as on the situation, development and business strategy of the company. The Supervisory Board also dealt with the topics that VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks is responsible for pursuant to Section 30a of the Austrian Banking Act.

The relevant reports of the Managing Board were thoroughly discussed and acknowledged, and the required resolutions were passed.

The committee chairpersons reported to the Supervisory Board on the work of the Supervisory Board committees on a regular basis. Moreover, the records of all committees, except for the HR Committee, were made available to all Supervisory Board members. Hence, the Supervisory Board was given ample opportunity to comply with its duty to obtain information and with its supervisory duty.

The Supervisory Board has currently set up the following committees: Working and Risk Committee, Audit Committee, Remuneration Committee, Nomination Committee, and HR Committee.

The Working and Risk Committee held four meetings in 2023, as well as a number of conference calls, where the investments falling within its sphere of competence, as well as the risk topics, the risk strategy, and the current risk situation of the company and of the Association of Volksbanks were dealt with, especially also in the context of the persistently high inflation, the resulting increase in interest rates, and the effects on the real estate market and on credit demand. The Working and Risk Committee made some of its credit decisions by circular resolution.

The Audit Committee held four meetings in 2023. Apart from the audit of the annual financial statements, the consolidated financial statements and the financial statements of the Association, especially the internal control system and the risk management system were discussed in these meetings, with regular reporting from Internal Audit and the Compliance Office. The Audit Committee also dealt with the selection of the new bank auditor for the 2025 financial year and submitted a proposal to the Supervisory Board in this regard.

In three meetings in 2023, the Remuneration Committee dealt with the principles of remuneration policy and with the remuneration report of VOLKSBANK WIEN AG and of the Association of Volksbanks. The Remuneration Committee also approved the newly introduced bonus model for employees of the Association of Volksbanks.

The Nomination Committee held four meetings in 2023, where the annual evaluation of the Managing Board and Supervisory Board members was effected, and an update of the Fit & Proper Policy of the company was approved. With regard to the appointment of new Supervisory Board members by the ordinary general meeting on 27 April 2023, the Nomination Committee submitted an election proposal and determined that the persons proposed for election to the Supervisory Board and the

Supervisory Board as a whole meet the Fit and Proper requirements. In addition, succession planning and the requirements profile for members of the Managing Board and Supervisory Board were specified.

The HR Committee held one meeting in 2023 to discuss the remuneration model for the Managing Board.

Attendance at the meetings of the Supervisory Board and its committees continued to be high.

The Association of Volksbanks, and with it VOLKSBANK WIEN AG, achieved a record result in 2023. Following the successful completion of the transformation in December 2022, the Association of Volksbanks is now once again pursuing a growth strategy based on solid liquidity and capital resources, and will continue to focus on small and medium-sized enterprises and, as Austria's regional relationship bank, on private customers. The development of risk in the current economic environment, particularly with regard to interest rates and the real estate market, will also continue to be closely monitored.

The topic of sustainability is now firmly anchored in all divisions of VOLKSBANK WIEN AG and the Association of Volksbanks. Last year, several further milestones were achieved and the ESG risk rating of VOKSBANK WIEN AG improved further. The bank has supported domestic companies with sustainable financial products, high-quality advisory services and information on the topic of sustainability for a number of years already. Progress in achieving the defined sustainability targets is the subject of regular reporting to the Supervisory Board.

In view of the early repayment of the outstanding tranche of government funds to the Republic of Austria in December 2022, and the associated fulfilment of the last outstanding obligations from the restructuring agreement for the Association of Volksbanks, the Supervisory Board members delegated by the Republic of Austria resigned their Supervisory Board mandates at the end of the ordinary general meeting on 27 April 2023. The mandates of the Supervisory Board members elected by the ordinary general meeting equally expired at the end of said general meeting. By resolution of the ordinary general meeting, the maximum number of Supervisory Board members elected by the general meeting was also increased from ten to twelve by means of a corresponding amendment to the Articles of Association. After being nominated by the Supervisory Board, the following persons were newly elected to the Supervisory Board of VOLKSBANK WIEN AG by the ordinary general meeting for a term of office until the end of the ordinary general meeting in 2028:
Susanne Althaler
Harald Berger
Johann Bruckner
Birte Burtscher
Heribert Donnerbauer
Helmut Hegen
Robert Oelinger
Regina Ovesny-Straka
Martina Rittmann-Müller
Walter Übelacker
Wilfried Aichinger
Christoph Herzeg

In the subsequent constitutive meeting of the Supervisory Board, the Executive Committee of the Supervisory Board was elected as follows:

Robert Oelinger	as Chairman
Heribert Donnerbauer	as First Deputy Chairman
Helmut Hegen	as Second Deputy Chairman

The members appointed to the Supervisory Board by the Works Council remained unchanged until 31 December 2023:
Andrea Baier
Hermann Ehinger
Christian Rudorfer
Christiane Spiegl
Bettina Wicha

Following the increase in the number of members elected by the general meeting to twelve, the Works Council has delegated Iris Weber to the Supervisory Board as an additional member on the basis of the statutory one-third parity. Moreover, due to his retirement, Hermann Ehinger left the Supervisory Board as of 31 December 2023. He was succeeded by Josef Heidegger as a member of the Supervisory Board delegated by the Works Council as of 18 January 2024.

The annual financial statements as at 31 December 2023, including the management report, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) and were given an unqualified audit certificate. The consolidated financial statements as at 31 December 2023 including the group management report were audited by KPMG and equally provided with an unqualified audit certificate. The financial statements of the Association as at 31 December 2023 including the management report of the Association were also audited by KPMG and provided with an unqualified audit certificate.

The Supervisory Board has acknowledged the report submitted by the Managing Board and has examined the annual financial statements including the management report, the consolidated financial statements including the group management report and the annex to the audit report, as well as the financial statements of the Association including the management report of the Association and the annex to the audit report upon previous involvement of the Audit Committee pursuant to Section 96 (1) of the Austrian Stock Companies Act. Said examination by the Supervisory Board has not resulted in any objections; in particular, the Supervisory Board found that the annual financial statements, the consolidated financial statements and the financial statements of the Association had been prepared correctly.

Hence, the Supervisory Board approves the annual financial statements including the management report, meaning that the same are approved under Section 96 (4) of the Austrian Stock Companies Act, the consolidated financial statements including the group management report and the annex to the audit report, as well as the financial statements of the Association including the management report of the Association and the annex to the audit report. Moreover, the Supervisory Board concurs with the results of the year-end audit, which were thoroughly discussed with KPMG in the Audit Committee, and consents to the proposal for the appropriation of profits as submitted by the Managing Board.

VOLKSBANK WIEN AG prepares a consolidated non-financial report (sustainability report) in accordance with the legal requirements under Sections 243b and 267a of the Austrian Business Code, based on the "GRI Standards", the international framework for sustainability reporting. KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was charged with auditing the sustainability report; the relevant audit report has been submitted to the Supervisory Board. The sustainability report submitted to the Supervisory Board was equally reviewed by the Supervisory Board with reference to the audit report prepared by KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The reviews or audits by the Supervisory Board and by KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft did not result in any objections, and the Supervisory Board concurs with the results of the audit by KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

In the past business year, VOLKSBANK WIEN AG has again fulfilled the support function provided for by the shareholders and stipulated in Article 3 of the Articles of Association.

In conclusion, the Supervisory Board would like to thank the Managing Board and all employees for their contribution to the extraordinary success achieved in the 2023 business year.

Vienna, March 2024

For the Supervisory Board of VOLKSBANK WIEN AG:

Robert Oelinger,
born on 18.12.1955
Chairman of the Supervisory Board

THE MANAGING BOARD

Chairman:

Gerald Fleischmann

born 27 February 1969

CEO

Area of responsibility:

- Retail Branches
- Marketing & Communication
- Organisation & IT
- HR Management & Organizational Development
- Private Banking/Treasury
- Corporate and Real Estate Financing
- Sales Management

Deputy Chairman:

Rainer Borns

born 7 August 1970

Deputy-CEO

Area of responsibility:

- Control
- Data Governance & Data Management
- Finance
- Legal
- VB Infrastructure and Real Estate Facility Management
- VB Infrastructure and Real Estate Property Management

Deputy Chairman:

Thomas Uher

born 15 June 1965

Deputy-CEO

Area of responsibility:

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

Joint Managing Board

Area of responsibility:

- Compliance
- Audit

THE SUPERVISORY BOARD

Robert Oelinger
Certified Public Accountant/tax consultant
Chairman from 27 April 2023

Heribert Donnerbauer
Donnerbauer & Hübner Rechtsanwälte GmbH
First Deputy Chairman from 27 April 2023

Helmut Hegen, M.B.L.
HOSP, HEGEN Rechtsanwaltspartnerschaft
Second Deputy Chairman from 27 April 2023

Franz Gartner
Muncipiality of Traiskirchen
First Deputy Chairman until 27 April 2023

Wilfried Aichinger, M.B.L.-HSG
Business consultant
Member from 12 May 2023

Susanne Althaler
Member

Harald Berger
Member from 27 April 2023

Johann Joachim Bruckner
Attorney-at-law
Member from 27 April 2023

Birte Burtscher, M.A. (HSG)
Certified public accountant and tax consultant
Member from 27 April 2023

Anton Fuchs
Member until 27 April 2023

Christoph Herzeg, MBA, CSE
Municipal Administration of the City of Villach
Member from 12 May 2023

Eva Schütz
Law firm of Hieblinger-Schütz
Member until 27 April 2023

Christian Lind
Member until 27 April 2023

Regina Ovesny-Straka
Member from 27 April 2023

Martina Rittmann-Müller
Tax consultant and certified public accountant
Member from 27 April 2023

Walter Übelacker
Real estate trustee, certified court expert
Member from 27 April 2023

Monika Wildner, LL.M. (NYU)
Independent lawyer
Member until 27 April 2023

Works council delegates:

Chairman of the Works council Christian Rudorfer

Andrea Baier

Hermann Ehinger

Christiane Spiegl

Iris Weber
from 12 May 2023

Bettina Wicha

State Commissioners:

Katharina Schwaha
State Commissioner

Helmut Wiesenfellner
Deputy State Commissioner

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

Report on the business development and economic situation

Business development

Business development was successful for the VOLKSBANK WIEN Group (VBW Group) 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 41.5 % to euro 184.6 million. Additionally, net fee and commission income, which had been on a high level already, was increased to euro 64.2 million.

The downside of the rapid rise in interest rates are increased risk provisions for credit risk in the valuation result, amounting to euro -23.6 million and resulting primarily from higher individual loan loss provisions. To date, there have been no significant credit losses in the VBW Group 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 VBW Group 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. VBW 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 VBW Group 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 VBW Group in retail banking continues to be on high-quality consultancy, 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 VBW has a very competitive product on the market in the form of its 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.

In February, the rating agency Moody's raised the credit rating of VOLKSBANK WIEN AG from Baa1 (positive outlook) to A2 (stable outlook). 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.

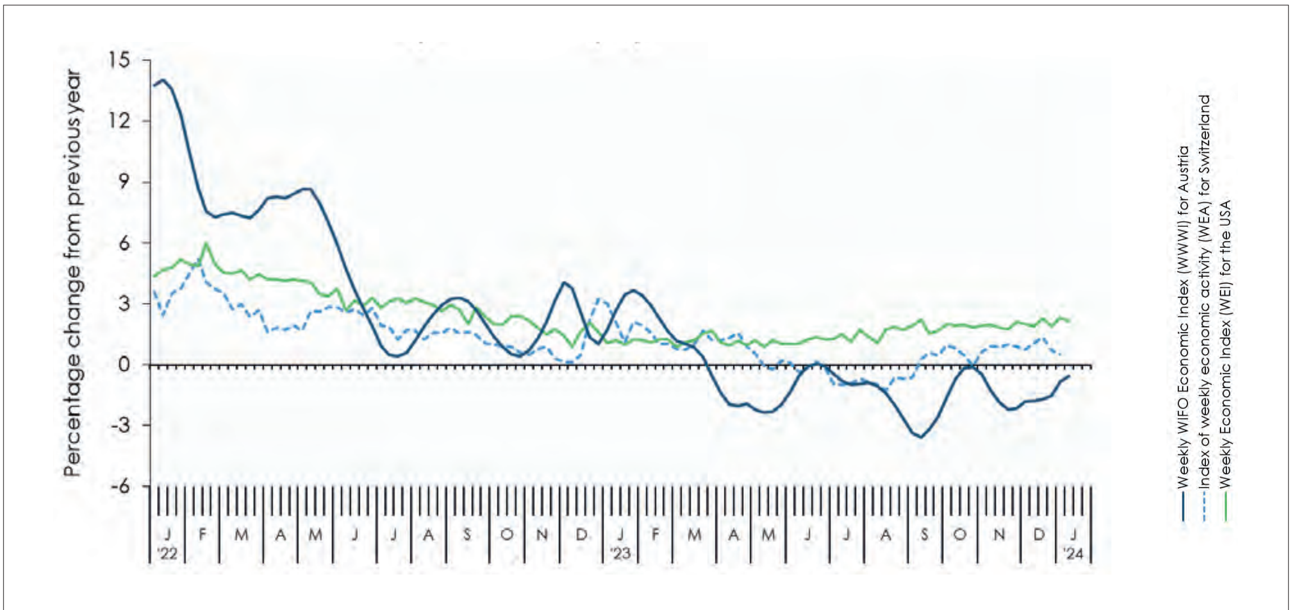
Economic environment

	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 prepandemic 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. However, 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.

Group result 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 Group before taxes amounts to euro 117.5 million (2022: euro 46.7 million), the result of the Group after taxes to euro 133.9 million (2022: euro 66.7 million), and the operating result to euro 140.3 million (2022: euro 64.4 million).

Net interest income increased from euro 130.4 million to euro 184.6 million in the 2023 financial year. On the income side, interest and similar income increased from euro 211.3 million to euro 457.0 million, and on the expense side, interest and similar expenses increased from euro -80.8 million to euro -272.4 million. This was mainly due to a euro 75.6 million increase in interest income from loans and receivables to customers, a euro 57.4 million increase in interest income from loans and receivables to credit institutions, 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 credit institutions have increased significantly to euro -85.8 million compared to euro -11.1 million in the previous year. Moreover, there was an increase in interest expenses for debts evidenced by certificates by euro -35.2 million to euro -55.0 million (2022: euro -19.8 million).

The risk provisions in the financial year increased compared to the past financial year of 2022 by euro -5.9 million to euro -23.5 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 -27.0 million (2022: net reversals euro +2.4 million) and higher net reversals of portfolio loan loss provisions amounting to euro +4.4 million (2022: net allocations euro -16.1 million). The portfolio loan loss provisions include allocations for post-model adjustments in the amount of euro -6.9 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 -1.0 million (2022: euro -3.4 million) were effected.

Net fee and commission income in the reporting year amounts to euro 64.2 million, another improvement compared to the previous year (2022: euro 59.9 million). This increase was mainly due to checking account business and payment transactions (euro +2.3 million), custody business (euro +1.3 million), as well as lending business (euro +0.9 million). This compares to a lower net fee and commission income from other services (euro -0.7 million).

Net trading income amounts to euro +3.2 million for the financial year and improved by euro +1.5 million compared to the previous year. While interest-rate related trading book derivatives have increased to euro +1.7 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 +1.4 million.

The result from financial instruments and investment properties for the reporting period amounts to euro -1.4 million, thus exceeding the comparative period (2022: euro -9.5 million) by euro 8.1 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 the decrease in the fair value of 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 +1.2 million to euro +2.4 million. The fair value measurements of capital guarantees improved by euro +1.3 million to euro -1.4 million, and the measurements of loans and receivables recognised at fair value improved by euro +2.0 million to euro -0.7 million.

The other operating result increased from euro +89.2 million by euro +37.1 million to euro +126.3 million against the previous year. The increase is mainly due to higher charged-out costs of VBW to the affiliated banks in the amount of euro +113.0 million (2022: euro +91.5 million) and the repayment of the government's participation right in the amount of euro -19.0 million in the previous year. Moreover, contributions paid to the deposit guarantee and the Single Resolution Fund (SRF) decreased by euro 2.5 million to euro -2.9 million (2022: euro -5.4 million).

General administrative expenses of euro -236.5 million (2022: euro -207.2 million) have increased compared to the previous year. Due to collective bargaining agreements and the provision for employee bonuses, staff expenses increased by euro -12.5 million to euro -134.1 million. Administrative expenses have also increased by euro -17.0 million to euro -91.5 million. This is mainly due to increased costs for IT projects (euro +13.2 million), higher expenses for advertising and representation (euro +1.4 million), as well as higher rentals and expenses for business premises (euro +1.2 million).

Taxes on income amount to euro +16.5 million in the 2023 financial year (2022: euro +20.0 million). Tax expenditure essentially results from deferred tax income in the amount of euro +21.4 million (2022: euro +21.6 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 44.0 million (2022: euro 24.2 million) for part of the tax loss carryforwards. The current tax expense, including tax expense from previous periods, for 2023 amounts to euro -4.9 million (2022: euro -1.6 million).

Financial position

As at 31 December 2023, total assets amounted to euro 15.1 billion and have slightly increased by comparison with the end of 2022 by euro 0.6 billion due to purchases of fixed-income securities and an increase in customer volume.

The liquid funds in the amount of euro 3.3 billion remained unchanged compared to the previous year.

Loans and receivables to credit institutions amounting to euro 2.6 billion have decreased compared to the end of 2022 (euro 2.9 billion), due to lower deposits with credit institutions.

As at 31 December 2023, both loans and receivables to customers amounting to euro 5.8 billion (2022: euro 5.5 billion) and financial investments of euro 2.7 billion (2022: euro 2.1 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 3.0 billion have decreased compared to 31 December 2022 (euro 4.1 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.

Amounts owed to customers decreased from euro 6.8 billion to euro 6.5 billion as at 31 December 2023, which is essentially due to reductions 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 118.1 million to euro 1,094.4 million. This change is mainly due to the Group's total comprehensive income for the 2023 financial year (euro 147.1 million), the distributions to the shareholders (euro -3.3 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). The total comprehensive income of the Group in the amount of euro 147.1 million consists of the net result for the 2023 financial year of euro 133.9 million and other comprehensive income of euro 13.2 million.

Report on branch establishments

The VBW Group does not have any branch establishments.

Financial performance indicators

As at 31 December 2023, the regulatory own funds of the VBW group of credit institutions amount to euro 1.3 billion (31 December 2022: euro 1.3 billion). The total risk exposure amount was euro 4.5 billion as at 31 December 2023 (31 December 2022: euro 4.0 billion). The CET 1 capital ratio in relation to total risk amounts to 17.2 % (31 December 2022: 16.8 %), the own funds ratio in relation to total risk is 28.6 % (31 December 2022: 31.7 %).

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 36).

Performance indicators	2023	2022	2021
Return on Equity before taxes	11.3 %	4.9 %	12.3 %
Return on Equity after taxes	12.9 %	7.0 %	11.5 %
Cost-income ratio	62.5 %	74.2 %	69.9 %

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 VBW, the cost-income ratio was defined as early warning indicator for the Act on the Reorganisation and Liquidation 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 Annual Report 2023, Note 45).

Non-financial performance indicators

Within the scope of Group reporting, VBW reports on concepts, results and risks relating to environmental matters, social and employee topics, human rights, corruption and bribery as well as diversity pursuant to the Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz; NaDiVeG) and Article 8 of the EU Taxonomy Regulation in a separate sustainability report.

Report on the company's future development and risks

Future development of the company

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

December 2023	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, VOLKSBANK WIEN AG (VBW) performs this central task, for the Association to have in place administrative, accounting and control procedures for the recognition, assessment, management and monitoring of the risks associated with banking transactions and banking operations as well as of the remuneration strategy and practices (Section 39 (2) of the Austrian Banking Act). The implementation of control is effected through General and, if necessary, Individual Instructions and corresponding working instructions in the affiliated banks.

The business model requires risks to be identified, assessed, measured, aggregated and managed effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions. As a prerequisite and basis of solid risk management, the Risk Appetite Framework (RAF) is continuously being developed within VBW, in order to define risk appetite and/or the level of risk tolerance that VBW is prepared to accept to achieve its defined goals. The level of risk tolerance is reflected in the definition and validation of appropriate limits and controls. The framework is continuously verified and adjusted to regulatory requirements, changes of the market environment or the business model. VBW 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 VBW 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.

VBW 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 Annual Report 2023 (especially Risk Report, Note 50).

Report on research and development

VBW 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 VBW Group within the scope of financial reporting. The Managing Board is responsible for establishing and organising an appropriate internal control and risk management system with respect to the accounting process and provides a framework for implementation applicable to the entire group in the ICS group policy. Within the VBW Group, responsibility for implementation lies with the OPRISK and Risk Governance groups within VBW.

The aim of the internal control system is to support the management in such a way that it is able to ensure effective internal controls with respect to accounting. The Managing Board is responsible for establishing and designing a suitable internal control and risk management system for the accounting process. At VBW, an internal control system (ICS) has been installed according to the internationally recognised COSO standard. Detailed descriptions of ICS processes and control measures are available. The responsibilities and roles relating to the ICS are clearly defined. Regular reporting takes place for the ICS. Control activities are documented and reviewed, ICS-relevant risks are regularly evaluated and adjusted. Accordingly, a continuous optimisation process is ensured.

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

Control measures are applied within the current business process to ensure that potential errors are prevented and/or deviations in financial reporting are revealed and corrected. The control measures range from revision of the various results for

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

Additionally, Internal Audit verifies compliance with internal regulations independently and regularly, also in the sphere of accounting. As a staff function, Internal Audit 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 consolidated financial statements: 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 subsidiaries.

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.

CONSOLIDATED FINANCIAL STATEMENTS

Statement of comprehensive income

INCOME STATEMENT	Note	1-12/2023 Euro thousand	1-12/2022 Euro thousand	Changes Euro thousand	%
Interest and similar income		456,979	211,260	245,720	116.31 %
thereof using the effective interest method		433,040	203,217	229,822	113.09 %
Interest and similar expenses		-272,420	-80,831	-191,589	> 200.00 %
Net interest income	4	184,560	130,429	54,131	41.50 %
Risk provision	5	-23,527	-17,582 *	-5,944	33.81 %
Fee and commission income		84,580	81,505	3,075	3.77 %
Fee and commission expenses		-20,425	-21,591	1,166	-5.40 %
Net fee and commission income	6	64,155	59,914	4,241	7.08 %
Net trading income	7	3,157	1,678	1,479	88.15 %
Result from financial instruments and investment properties	8	-1,378	-9,509	8,131	-85.51 %
Other operating result	9	126,296	89,164	37,133	41.65 %
General administrative expenses	10	-236,490	-207,233	-29,257	14.12 %
Result from companies measured at equity		682	-160	842	< -200.00 %
Result before taxes		**117,455**	**46,700 ***	**70,754**	**151.51 %**
Income taxes	11	16,488	20,022 *	-3,534	-17.65 %
Result after taxes		**133,943**	**66,722 ***	**67,221**	**100.75 %**
Result attributable to shareholders of the parent company (Consolidated net result)		**133,943**	**66,698 ***	**67,245**	**100.82 %**
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	**133,943**	**66,722 ***	**67,221**	**100.75 %**
Items that will not be reclassified to profit or loss				
Revaluation of obligation of defined benefit plans (including deferred taxes)	-1,252	7,021	-8,273	-117.83 %
Revaluation reserve (including deferred taxes)	223	37	186	> 200.00 %
Fair value reserve - equity instruments (including deferred taxes)	11,313	1,024	10,289	> 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	**11,222**	**8,669**	**2,553**	**29.45 %**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	538	-1,439	1,976	-137.37 %
Cash flow hedge reserve (including deferred taxes)				
Change in fair value (effective hedge)	308	-721	1,029	-142.80 %
Net amount transferred to profit or loss	126	-10	136	< -200.00 %
Change from companies measured at equity	999	1,177	-178	-15.13 %
Total items that may be reclassified to profit or loss	**1,971**	**-991**	**2,963**	**< -200.00 %**
Other comprehensive income total	**13,193**	**7,677**	**5,516**	**71.85 %**
Comprehensive income	**147,136**	**74,399 ***	**72,736**	**97.76 %**
Comprehensive income attributable to shareholders of the parent company	**147,136**	**74,376 ***	**72,760**	**97.83 %**
Comprehensive income attributable to non-controlling interest	0	24	-24	-100.00 %

* The previous year was restated in accordance with IAS 8.

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	3,303,819	3,345,392	-41,572	-1.24 %
Loans and receivables credit institutions	13, 14	2,593,652	2,856,495 *	-262,842	-9.20 %
Loans and receivables customers	13, 14	5,816,672	5,480,639 *	336,033	6.13 %
Assets held for trading	15	24,771	25,684	-913	-3.56 %
Financial investments	14, 16	2,694,737	2,112,625	582,111	27.55 %
Investment property	17	27,187	26,461	726	2.74 %
Companies measured at equity	18	42,150	39,856	2,294	5.76 %
Participations	19	77,878	63,015	14,863	23.59 %
Intangible assets	20	15,677	17,355	-1,678	-9.67 %
Tangible assets	21	124,191	129,025	-4,834	-3.75 %
Tax assets	22	73,724	58,793 *	14,931	25.40 %
Current taxes		0	2,630	-2,630	-100.00 %
Deferred taxes		73,724	56,163 *	17,561	31.27 %
Other assets	23	305,356	304,204	1,152	0.38 %
Assets held for sale	24	0	587	-587	-100.00 %
TOTAL ASSETS		**15,099,814**	**14,460,130 ***	**639,684**	**4.42 %**
LIABILITIES					
Amounts owed to credit institutions	25	2,988,163	4,058,046	-1,069,883	-26.36 %
Amounts owed to customers	26	6,531,503	6,764,572	-233,069	-3.45 %
Debts evidenced by certificates	27	3,322,662	1,723,251	1,599,412	92.81 %
Lease liabillities	28	79,553	82,248	-2,694	-3.28 %
Liabilities held for trading	29	23,946	29,693	-5,747	-19.35 %
Provisions	30, 31	57,255	56,805 *	450	0.79 %
Tax liabilities	22	5,234	2,210	3,024	136.82 %
Current taxes		4,784	1,473	3,311	> 200.00 %
Deferred taxes		450	737	-287	-38.91 %
Other liabilities	32	595,170	368,242	226,928	61.62 %
Subordinated liabilities	33	401,973	398,817	3,157	0.79 %
Equity	35	1,094,355	976,248 *	118,107	12.10 %
Shareholders' equity		1,094,355	976,168 *	118,187	12.11 %
Non-controlling interest	35	0	80	-80	-100.00 %
TOTAL LIABILITIES		**15,099,814**	**14,460,130 ***	**639,684**	**4.42 %**

* The previous year was restated in accordance with IAS 8.

Changes in the Group's equity

Euro thousand	Subscribed capital	Additional tier 1 capital	Capital reserves	Retained earnings and other reserves	Shareholders' equity	Non-controlling interest	Equity
As at 01 Jan 2022	**137,547**	**217,722**	**272,296**	**297,105**	**924,670**	**3,747**	**928,417**
Restatement *				**-2,101**	**-2,101**		**-2,101**
As at 01 Jan 2022 restated	**137,547**	**217,722**	**272,296**	**295,004**	**922,569**	**3,747**	**926,316**
Consolidated net income *				66,698	66,698	24	66,722
Other comprehensive income	0	0	0	7,677	7,677	0	7,677
Comprehensive income	0	0	0	74,376	74,376	24	74,399
Participation Capital				0	0	-1	-1
Dividends paid				-4,411	-4,411	-1,357	-5,767
Coupon for the AT1 emission				-17,050	-17,050		-17,050
Repurchase treasury stocks				0	0		0
Payment Shareholder			669	0	669		669
Reclassification capital reserve			-3,185	3,185	0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation				16	16	-2,333	-2,318
As at 31 Dec 2022 restated	**137,547**	**217,722**	**269,779**	**351,119**	**976,168**	**80**	**976,248**
Consolidated net income				133,943	133,943	0	133,943
Other comprehensive income	0	0	0	13,193	13,193	0	13,193
Comprehensive income	0	0	0	147,136	147,136	0	147,136
Participation Capital				0	0	0	0
Dividends paid				-3,316	-3,316	0	-3,316
Coupon for the AT1 emission				-17,050	-17,050		-17,050
Repurchase treasury stocks	-1,873			-6,774	-8,646		-8,646
Payment Shareholder			0		0		0
Reclassification capital reserve			0	0	0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation				63	63	-80	-17
As at 31 Dec 2023	**135,674**	**217,722**	**269,779**	**471,179**	**1,094,355**	**0**	**1,094,355**

For further details see note 35) equity.

* The previous year was restated in accordance with IAS 8.

Cash flow statement

Euro thousand	Note	1-12/2023	1-12/2022
Annual result (before non-controlling interest)		**133,943**	**66,722 ***
Non-cash positions in annual result			
Net interest income	4	-184,560	-130,429
Income from participations	8	-2,334	-1,159
Depreciation, amortisation, impairment and reversal of impairment of financial instruments and fixed assets	8, 10	10,440	10,184
Allocation to and release of provisions, including risk provisions	5, 10	24,195	19,710 *
Gains from the sale of financial investments and fixed assets	8, 9	-1,159	-7,107
Income taxes	11	-16,488	-20,022 *
Changes in assets and liabilities from operating activities			
Loans and advances to credit institutions	13	276,595	-693,351
Loans and advances to customers	13	-357,720	-89,101
Trading assets	15	-3,472	78
Financial investments	16	-90,458	290,253 *
Other assets from operating activities	23	-730	-528
Amounts owed to credit institutions	25	-1,073,014	-2,159,152
Amounts owed to customers	26	-240,495	-157,278
Debts evidenced by certificates	27	1,567,866	-184,419
Derivatives	15, 23, 29, 32	-21,740	-143,468
Other liabilities	32	251,420	-33,650
Interest received		405,333	185,703
Interest paid		-201,200	-60,991
Dividends received	8	2,334	1,159
Income taxes paid		4,000	-2,478
Cash flow from operating activities		**482,757**	**-3,109,324 ***
Proceeds from the sale or redemption of			
Financial investments at amortised cost	16	108,609	66,623 *
Participations	19	400	78
Intangible and tangible assets	20, 21	2,669	12,846
Investment property	17	0	5,010
Disposal of subsidiaries (net of cash disposed)		57	0
Payments for the acquisition of			
Financial investments at amortised cost	16	-602,665	-355,558 *
Participations	19	-1,422	0
Intangible and tangible assets	20, 21	-4,771	-6,419
Cash flow from investing activities		**-497,123**	**-277,421 ***
Payment Shareholder		0	669
Change in treasury stocks	35	-3,000	0
Dividends paid	35	-20,366	-22,817
Cash outflow of lease liabilities	28	-3,824	-4,484
Cash outflow of subordinated liabilities	33	0	-4,600
Disposal of non-controlling interest		-17	-2,319
Cash flow from financing activities		**-27,207**	**-33,552**
Cash and cash equivalents at the end of previous period	12	**3,345,392**	**6,765,688**
Cash flow from operating activities		482,757	-3,109,324
Cash flow from investing activities		-497,123	-277,421
Cash flow from financing activities		-27,207	-33,552
Cash and cash equivalents at the end of period	12	**3,303,819**	**3,345,392**

Details of the calculation method of cash flow statement are shown in note 3) kk).
Details to cash in- and outflow of subordinated liabilities are shown in note 33).

* The previous year was restated in accordance with IAS 8.

NOTES

1) General information

VOLKSBANK WIEN AG (VBW) with its registered office at Dietrichgasse 25, 1030 Vienna, is the parent company of national acting subsidiaries and the central organisation (CO) of the Austrian Volksbank sector. In addition to the sector business with Volksbanks, the priorities in private and corporate customer business are based in Austria.

VBW as CO in accordance with Section 30a Austrian Banking Act is part of the banking association (joint liability and liquidity association). 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 Austrian Banking Act, on the basis of the consolidated financial position (Section 30a (7) Austrian Banking Act). VBW must continue to comply with all applicable regulatory provisions on a single-entity basis and at Group level. The members of the Association of Volksbanks have joint, unlimited liability and have contractually agreed to bear the costs and risks of the CO on a pro rata basis. By letter dated 29 June 2016, the ECB granted unlimited approval of the Association of Volksbanks.

The accounts have been prepared on the assumption that it will remain a going concern. The consolidated financial statements are reported in euros, as this is the Group's functional currency. All figures are indicated in thousands of euros unless specified otherwise. The following tables may contain rounding differences.

VBW reports concepts, results and risks in connection with environmental issues, social and employee concerns, human rights, corruption and bribery and diversity in accordance with the Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz - NaDiVeG) and Article 8 of the Taxonomy Regulation of the EU in a separate sustainability report. More information is shown in note 50) Risk report.

These consolidated financial statements were signed by the Managing Board on 06 March 2024 and subsequently approved to be forwarded to the Supervisory Board.

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 group equity or on the result.

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 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.

Of the total redemption 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 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	1	0	1	1	0	1
Financial institutions	0	0	0	1	0	1
Other companies	4	0	4	7	0	7
Total	**5**	**0**	**5**	**9**	**0**	**9**
Companies measured at equity						
Credit institutions	1	0	1	1	0	1
Other companies	1	0	1	1	0	1
Total	**2**	**0**	**2**	**2**	**0**	**2**

Number of unconsolidated companies

	31 Dec 2023			31 Dec 2022		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Affiliates	4	0	4	4	0	4
Associated companies	3	0	3	3	0	3
Companies total	**7**	**0**	**7**	**7**	**0**	**7**

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 Group. In addition to quantitative criteria like total assets and result after taxes, the effect of consolidation on specific positions as well as on the true and fair view of the consolidated financial statements 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 Group's consolidated financial statements for 2023.

The complete list of companies included in the consolidated financial statements, companies measured at equity, as well as the unconsolidated companies including detailed information, can be found at the end of the notes (see notes 51), 52) and 53).

3) Accounting principles

Error correction in accordance with IAS 8

In the course of the audit by the Austrian Financial Reporting Enforcement Panel (OePR), an error was identified with regard to the netting of incoming and outgoing payments and the valuation effects of securities in the consolidated cash flow statement. It had no impact on the overall result of the consolidated cash flow statement. The following table shows the corrected consolidated cash flow statement.

Cash flow statement

Euro thousand	Restated cash flow 1-12/2022	Published cash flow 1-12/2022	Changes 1-12/2022
Financial investments	290,253	474	289,779
Cash flow from operating activities	**-3,109,324**	**-3,399,103**	**289,779**
Proceeds from the sale or redemption of			
Securities measured at amortised cost	66,623	844	65,779
Payments for the acquisition of			
Securities measured at amortised cost	-355,558	0	-355,558
Cash flow from investing activities	**-277,421**	**12,358**	**-289,779**
Cash and cash equivalents at the end of previous period	**6,765,688**	**6,765,688**	**0**
Cash flow from operating activities	-3,109,324	-3,399,103	289,779
Cash flow from investing activities	-277,421	12,358	-289,779
Cash flow from financing activities	-33,552	-33,552	0
Cash and cash equivalents at the end of period	**3,345,392**	**3,345,392**	**0**

As part of this error correction, risk provisions for the banks of the Association were also recorded retrospectively. The following table shows the balance sheet and income statement items affected:

Statement of financial position

Euro thousand	Restated 31 Dec 2022	Published 31 Dec 2022	Changes
Loans and receivables credit institutions	2,856,495	2,865,888	-9,394
Risk provisions credit institutions	-9,402	-9	-9,394
Loans and receivables customers	5,480,639	5,480,662	-23
Risk provisions customers	-66,649	-66,626	-23
Tax assets	58,793	56,312	2,480
Deferred taxes	56,163	53,683	2,480
TOTAL ASSETS	**14,460,130**	**14,467,067**	**-6,936**
Provisions	56,805	55,437	1,368
Equity	976,248	984,552	-8,304
TOTAL LIABILITIES	**14,460,130**	**14,467,067**	**-6,936**

Statement of comprehensive income

Euro thousand	Restated 1-12/2022	Published 1-12/2022	Changes
INCOME STATEMENT			
Risk provision	-17,582	-9,527	-8,055
Result before taxes	**46,700**	**54,756**	**-8,055**
Income taxes	20,022	18,169	1,853
Result after taxes	**66,722**	**72,925**	**-6,203**

The following accounting principles have been applied consistently.

The VBW Group's consolidated financial statements for 2023 as well as the 2022 comparative figures have been prepared in accordance with the IFRS/IAS and thus fully comply with the provisions set out in Section 245a of the Austrian Business Code (UGB) and Section 59a of the Austrian Banking Act (BWG) that regulate exempting consolidated financial statements prepared in accordance with internationally recognised accounting principles.

The consolidated financial statements have been prepared in accordance with all IFRS/IAS published by the International Accounting Standards Board (IASB) in force on the balance sheet date as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) as endorsed by the European Union (EU). Currently there are no differences between the IFRS adopted by the EU and the IFRS published by the IASB.

The consolidated financial statements 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 values and IFRS values, those amounts are recognised that result 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 following two chapters present amended and new accounting standards significant to the consolidated financial statements of VBW.

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

Initially applied standards and interpretations

Standard	Mandatory application	Significant effects on VBW
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 VBW
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 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.

Amendments to IAS 12 - International Tax Reform – Global Minimum Taxation (Pillar II)

For further details please refer to note 22).

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; 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 VBW Group. ESG risks arise because climate, environmental, social and governance concerns may affect counterparties, customers and other contractual partners of the issuer and/or the VBW Group. 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, VBW 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 notes 11) and 22): The recognition of deferred tax assets is based on the assumption that sufficient taxable income will be generated in the future to utilise 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 01 January 2023, and by one percent as of 01 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): 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

The consolidated financial statements are based on the separate financial statements of all fully consolidated companies prepared in accordance with IFRS. 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 based on the Group's reporting date of 31 December 2023.

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 are recognised directly in equity.

Subsidiaries under the direct or indirect control of VBW 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 VBW Group. Companies in which VBW 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 Group.

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, as well as relevant accruals and deferrals, have been offset within the scope of debt consolidation. Income and expenses between Group companies are eliminated in the course of the consolidation of expenditure/income, intragroup profits and losses are eliminated in the course of the elimination of intragroup profits and losses.

f) Currency translation

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

The individual financial statements of fully consolidated companies 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 the translation of the financial statements of foreign subsidiaries are recognised in the currency reserve in OCI. Any goodwill disclosed hidden reserves and burdens arising from the initial consolidation of foreign subsidiaries prior to 01 January 2005 have been translated at historical rates. Any goodwill disclosed hidden reserves and burdens arising from business combinations after 01 January 2005 are translated at the spot exchange mean rate on the Group's reporting date. As at 31 December 2023, the scope of consolidation of VBW does not include any foreign subsidiary in foreign currency.

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 non-recurring 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 provsion)
- 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 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 investments, 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 investments. 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 (operating expenditure) 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 VBW Group 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 Group undertakes to buy or sell the assets concerned, respectively to issue or redeem the financial obligations.

The Group 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 VBW Group conducts transactions in which financial assets are transferred, but the opportunities or risks incident to the ownership of the asset remain with the Group. If the Group retains all or substantially all opportunities and risks, the financial asset is not derecognised, but still 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 such as 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 in 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 Group 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 VBW Group’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 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 consists of risk costs, liquidity costs and a collective position for all pricing parameters (epsilon) not taken into account. The risk-free interest curve is derived from market data. The liquidity cost curve is modelled based on market data. The risk cost curve is deducted from the rating or the probability of default. The constant epsilon is calibrated in such a way that a transaction will not generate any fair value gain/loss at the time of conclusion.

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

Derivative financial instruments

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

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

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

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

Own equity and debt instruments

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

o) Loans and receivables credit institutions and customers

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

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, or in case of hopelessness of execution.

p) Risk provision

Based on individual and collective evaluation risk provisions are effected for the special risk of banking business. Risk provisions for off-balance sheet 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) Financial assets and liabilities 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 includes financial instruments that meet the definition of default. The definition of default within the Group corresponds to the requirements of CRR I Art. 178. The impairment recognised is equivalent to lifetime ECL.

Options

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

Information regarding the calculation logic

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

- Time horizon: The expected losses are calculated either for a 12-month period or for the entire residual term.
- Individual or collective perspective: The calculation of the impairment at individual transaction level usually takes place for customers at stage 3 with a certain minimum exposure. While for all other items, the calculation is carried out for each transaction individually as well, the parameters used (PD, LGD, etc.) are derived from portfolios/groups with the same risk characteristics.
- Scenario analysis: The impairment is determined on the basis of at least two probability-weighted scenarios for all stages.
- Expected cash flows: The estimated expected cash flows are subject to certain requirements (determination of 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. The items assets and liabilities held for trading also include all positive or negative fair values of derivative financial instruments that meet the regulatory requirements of the trading book. Derivative financial instruments used as hedging instruments to manage interest rate risks in the regulatory banking book are reported under 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 VBW Group, 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 exclusively by external appraisers who are selected, among others, based on proven professional qualification and experience of the locations and categories of property being valued. In Austria, appraisals were obtained 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 not based on market information are used to measure investment property, 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 due 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 investments in companies measured at equity

This item includes subsidiaries and participations established or acquired for strategic reasons. Strategic investments are companies that cover the areas of business of the VBW Group, 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 VBW Group.

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

u) Intangible and tangible assets

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

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

Rights of use

On the date of provision of the lease object, a right of use is recognised by the lessee in the balance sheet at acquisition cost. 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

All subsequent valuations take place at amortised cost. Amortisation of the rights of use is effected on a straight-line basis over the contractual term. For low-value lease objects and for short-term leases (< 12 months), use is made of simplified application, with payments being recognised in expenses on a straight-line basis. For contracts that also include non-lease components in addition to 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 regularly as to whether any essential parameters have changed and if this has any effect on the amount of the lease payments or the term of the lease. 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, any such adjustments must be effected in the same amount with respect to the right of use.

Write-offs are recognised for permanent impairment. If the circumstances resulting in the recognition of a write-off cease to exist, the write-off is 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 relationships	up to 20 years
Strongrooms and safes	up to 20 years
Buildings, reconstructed buildings	up to 50 years
Rights of use - Lease	up to 30 years

v) Tax assets and liabilities

This item is used to report current and deferred tax assets and liabilities.

According to the balance sheet a liability method set out in IAS 12, deferred taxes are derived from all temporary differences between the tax base of an asset or a liability and its carrying amount in the balance sheet prepared in accordance with IFRS. Deferred taxes are calculated for subsidiaries based on 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 in respect of unutilised tax loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available at the same company against which the unused tax losses can be utilised or if sufficient taxable temporary differences exist. The assessment period for the recognition of deferred tax assets for unused tax loss carryforwards is four years. Deferred tax assets are not recognised for loss carryforwards, other assets or liabilities whose recoverability is not sufficiently certain. 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 impairment. This item also includes all positive fair values of derivative financial instruments 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 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 (disposal group) must be available for immediate sale in its present condition on terms that are usual and customary for sales of such assets (or disposal groups), and the sale must be highly probable.

These criteria are met if the necessary board resolutions have been adopted, the assets can be sold without significant modification or restructuring, marketing of the assets has begun and, at the balance sheet date, either a binding offer has been made or a contract has already been signed and closing is expected within 12 months. Loans repaid early, directly by the debtor, do not meet the definition of a sale transaction, even if the early repayment was initiated by a group company through a discount on 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. The disposal group therefore does not include any liabilities that are repaid using the proceeds from the sale of the disposal group but are not transferred.

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

At VBW, a discontinued operation constitutes a reportable segment. A major line of business or geographical area of operations that reports to the Managing Board and has a significant effect on VBW's financial position is also presented as a discontinued operation if all conditions are met.

After classification as held for sale, non-current assets or groups of assets are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses are recognised in profit or loss under other operating expenses.

Non-current assets or disposal groups and associated liabilities classified as held for sale are presented separately from other assets and liabilities in the balance sheet.

For a discontinued operation, the statement of comprehensive income shall include the profit or loss after tax of the discontinued operation and the profit or loss after tax that would have been recognised had the assets or disposal groups constituting the discontinued operation been measured at fair value less cost to sell.

The income statement for the previous year must 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 VBW, 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 any index or interest rate
- expected payments of residual value from residual value guarantees
- the exercise price of any purchase option, provided that the exercise of the option is estimated to be sufficiently certain
- any contractual penalties for terminating the lease, if the exercise of any right of termination has been taken account of in the term of the lease

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

The lease payments are discounted using 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 valuations, the lease liability will be increased by the interest expenditure and reduced by lease payments.
For existing leases, an assessment is effected regularly as to whether any essential parameters have changed and if this has any effect on the amount of the lease payments or the term of the lease. 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 VBW Group has made commitments under defined benefit plans for individual staff members in the amount of future benefits. These plans are partly unfunded, i.e. the funds required as cover are retained and the VBW Group recognises the necessary provisions. These plans are funded exclusively by the Group. Employees are not required to make contributions to the plans. In the VBW Group, 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, 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 thoroughgoing 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 based on generally recognised actuarial principles for determining the present value of the overall entitlement 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 dependants.

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 and loss when the plan is amended. All income and expenses connected 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 provisions	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 current Austrian scheme for calculating pension insurance for salaried employees are applied as the basis of calculation (AVÖ 2018 P – Rechnungsgrundlagen für die Pensionsversicherung – Angestelltenbestand).

The current retirement age limits are generally taken into account in these calculations. It is assumed that, as a rule, men will retire at the age of 65 years and women between the age of 60 and 65 years.

Pension obligations comprise claims of employees who were in active service for the Group on the valuation date as well as entitlements of pension recipients. These entitlements are defined in special agreements and in the Group's Articles of Association 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 in the amount of the most probable future claims, taking into account cost estimates of contractual partners, experience and financial mathematical 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 pending litigations, interest claims in connection with loans and floors and restructuring. Risk provisions allocated and released are recorded under risk provisions in the income statement. Discounting is used 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 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 result from financial instruments and investment properties.

cc) Subordinated liabilities

Subordinated liabilities are initially recognised at fair value plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, unless these liabilities were designated as liabilities 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 profit 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.

ee) Capital reserves

In accordance with IAS 32, the transaction costs of an equity transaction are accounted for 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 here. If the difference exceeds capital reserves, this amount is deducted from retained earnings.

ff) 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.

gg) 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 Group. These ratios reflect the relationship between regulatory own funds and credit, market and operational risk. Accordingly, the risk/return management of the VBW Group 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 VBW 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 face value. CET1 also includes capital reserves, retained earnings, other reserves and minority interests used to meet the regulatory capital requirement. Intangible assets and goodwill, deferred tax assets and participations in other credit institutions constitute significant deductions.

Just like CET1 capital, AT1 capital is available for covering any losses on a current basis. In this context, the central requirement is the subordinate and permanent appropriation of funds, as well as the unrestricted discretion of the issuer as to whether distributions will be made or not. Additionally, it must be possible to convert the instruments into CET1 capital, or to write them off, as soon as 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 %. Minimum core capital requirements are 4.5 % for CET1 and 6.0 % for Tier 1. The VBW Group 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 mentioned capital and buffer requirements are contained in note 50) Risk report.

hh) Trust transactions

Transactions in which an affiliate of the Group acts as a trustee or in any other trusteeship function and thus manages or places 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.

ii) Repurchase transactions

Under genuine repurchase agreements, the Group 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 risk or rewards are transferred and 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 liability.

jj) Contingent liabilities

Possible obligations for which 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 future claims are likely.

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

Guaranteed amounts of members in the case of 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.

kk) 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 non-controlling interest, whereby non-cash expenses and income during the business year are included and deducted respectively first of all. Moreover, all expenses and income which did serve as cash, but were not allocated to operating activities, are eliminated. These payments are recognised under the cash flow from investing activities or financing activities. The interest, dividend and tax payments, which are stated separately in the cash flow statement are solely from operating activities.

Cash flows from non-current assets such as securities measured at amortised cost, participations and intangible and tangible assets are assigned to the cash flow from investing activities. The cash flow from financing activities includes all cash flows of the owners as well as changes to subordinated liabilities and non-controlling interest. 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	456,979	211,260
Deposits from credit institutions (incl. central banks)	102,692	18,768
Credit and money market transactions with credit institutions	90,372	32,984
Credit and money market transactions with customers	200,354	124,739
Bonds and other fixed-income securities	42,485	28,547
Derivative instruments	21,076	6,222
Interest and similar expenses for	-272,420	-80,831
Liquid funds	-44,033	-13,512
Deposits from credit institutions	-85,779	-11,052
Deposits from customers	-37,685	-4,410
Debts evidenced by certificates	-55,035	-19,759
Subordinated liabilities	-20,960	-13,779
Derivative instruments	-28,466	-17,576
Lease liabilities	-1,001	-1,016
Valuation result - modification	488	252
Valuation result - derecognition	50	22
Net interest income	**184,560**	**130,429**

Net interest income according to IFRS 9 categories

Euro thousand	2023	2022
Interest and similar income from	456,979	211,260
Financial assets measured at amortised cost	432,881	203,164
Financial assets measured at fair value through OCI	159	53
Financial assets measured at fair value through profit or loss - obligatory	2,863	1,821
Derivative instruments	21,076	6,222
Interest and similar expenses for	-272,420	-80,831
Financial liabilities measured at amortised cost	-241,651	-60,696
Financial liabilities measured at fair value through profit or loss - designated	-2,840	-2,832
Derivative instruments	-28,466	-17,576
Valuation result - modification	488	252
Valuation result - derecognition	50	22
Net interest income	**184,560**	**130,429**

Due to the negative reference rates in the previous year, negative interest income of euro 26,640 thousand and negative interest expenses of euro 14,565 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 *	-22,230	-15,769
Changes in provision for risks *	-960	-3,352
Direct write-offs of loans and receivables	-1,758	-693
Income from loans and receivables previously written off	1,387	2,245
Valuation result modification/derecognition	34	-13
Risk provision *	**-23,527**	**-17,582**

* The previous year was restated in accordance with IAS 8.

6) Net fee and commission income

Euro thousand	2023	2022
Fee and commission income	84,580	81,505
Lending business	3,780	3,885
Securities and custody business	31,964	30,571
Payment transactions	37,274	34,697
Foreign exchange, foreign notes and coins and precious metals transactions	119	101
Financial guarantees	918	1,008
Other services	10,525	11,242
Fee and commission expenses	-20,425	-21,591
Lending business	-10,511	-11,494
Securities and custody business	-4,627	-5,043
Payment transactions	-5,235	-4,941
Other services	-52	-113
Net fee and commission income	**64,155**	**59,914**

Other services mainly include brokerage commissions for the brokerage of loans to TeamBank AG Nuremberg. Net fee and commission income includes management fees for trust agreements in the amount of euro 115 thousand (2022: euro 123 thousand).

7) Net trading income

Euro thousand	2023	2022
Equity related transactions	2	5
Exchange rate related transactions	1,421	2,595
Interest rate related transactions	1,734	-922
Net trading income	**3,157**	**1,678**

8) Result from financial instruments and investment properties

Euro thousand	2023	2022
Other results from financial instruments	**-2,625**	**-11,886**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	-4,959	-13,045
Valuation measured at fair value through profit or loss - obligatory	-2,029	-31,179
Loans and receivables credit institutions and customers	-695	-2,654
Securities	245	-1,308
Result from other derivative instruments	-254	-26,427
Result from fair value hedge	-1,054	-791
Result (ineffectiveness) from cash flow hedge	-271	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	19	5
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	2,334	1,159
Realised gains from disposal	0	2
Realised losses from disposal	0	-2
Dividend income from participations	2,334	1,159
Result from investment properties	**1,247**	**2,377**
Income from investment properties and operating lease	1,391	1,208
Valuation investment properties	-144	1,169
Result from financial instruments and investment properties	**-1,378**	**-9,509**

9) Other operating result

Euro thousand	2023	2022
Other operating income	153,793	134,589
Other operating expenses	-22,057	-39,091
Deconsolidation result from consolidated affiliates	-1	1,722
Regulatory expenses	-5,439	-8,056
Other operating result	**126,296**	**89,164**

Regulatory expenses include the stability tax in the amount of euro -2,526 thousand (2022: euro -2,629 thousand), contributions to the deposit guarantee scheme in the amount of euro -862 thousand (2022: euro -2,817 thousand) and contributions to the Single Resolution Fund in the amount of euro -2,052 thousand (2022: euro -2,610 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 -2,914 thousand (2022: euro -5,427 thousand) were reclassified from administrative expenses to regulatory expenses in Other operating result. The comparative figures for the previous year have been adjusted.

Detailed presentation of other operating income and other operating expenses

Euro thousand	2023	2022
Income from allocation of costs	148,616	125,033
Realised gains from disposal of fixed assets and security properties	1,721	5,278
Others	3,457	4,277
Other operating income	**153,793**	**134,589**
Allocation of costs	-22,328	-20,657
Realised losses from disposal of fixed assets and security properties	-629	-853
Payment under the restructuring agreement	0	-19,035
Allocation/release of provision for negative interest	0	1,244
Other taxes	30	740
Others	870	-530
Other operating expenses	**-22,057**	**-39,091**

In 2022, the last outstanding tranche to perform the restructuring agreement was paid to the federal government ahead of schedule. The share of VBW in this payment amounted to euro 19,035 thousand. More details are set out in note 2).

10) General administrative expenses

Euro thousand	2023	2022
Staff expenses	-134,077	-121,606
Wages and salaries	-103,774	-91,798
Expenses for statutory social security	-24,876	-23,848
Fringe benefits	-1,538	-1,423
Expenses for retirement benefits	-2,942	-2,661
Allocation to provision for severance payments and pension funds	-946	-1,875
Administrative expenses	-91,505	-74,508
Office space expenses	-6,595	-5,358
Office supplies and communication expenses	-1,090	-1,241
Advertising, PR and promotional expenses	-5,362	-3,954
Legal, advisory and consulting expenses	-13,252	-12,100
IT expenses	-59,194	-46,028
Other administrative expenses (including training expenses)	-6,013	-5,827
Depreciation and reversal of impairment	-10,908	-11,119
Depreciation	-6,828	-6,710
Impairment/reversal of impairment	0	-167
Right of use - lease depreciation	-4,080	-4,243
General administrative expenses	**-236,490**	**-207,233**

Staff expenses include payments for defined contribution plans totalling euro 3,280 thousand (2022: euro 2,852 thousand).

General administrative expenses include expenses for managing contracts for investment properties in the amount of euro 33 thousand (2022: euro 20 thousand).

Expenses for leases for low-value assets in the amount of euro 396 thousand (2022: euro 714 thousand) are included in administrative expenses.

In the 2023 financial year, regulatory costs (contributions to the deposit guarantee and the Single Resolution Fund) amounting to euro -2,914 thousand (2022: euro -5,427 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 Wirtschaftsprüfungs- und Steuerberatungsgesellschaft amounted to euro 1.705 thousand including VAT (2022: euro 1,674 thousand). Thereof euro 1,146 thousand (2022: euro 1.146 thousand) are due to the audit of the annual financial statements, consolidated financial statements and annual financial statements of the Association of Volksbanks, as well as of financial statements of individual affiliates and joint ventures included in the consolidated financial statements, euro 526 thousand (2022: euro 503 thousand) to other certifications and euro 33 thousand (2022: euro 25 thousand) to other services. The group auditor does not provide any tax advice.

Information on compensation to board members

Euro thousand	31 Dec 2023	31 Dec 2022
Total compensation	**3,238**	**2,612**
Supervisory Board	445	347
Managing Board	2,371	1,840
Former board members and their surviving dependants	422	424
Expenses for severance payments and pensions		
Managing Board	689	706
Thereof defined contribution plans	267	165

Members of the Managing Board do not receive any performance or results-based pay. The total compensation of Managing Board members consists of a fixed basic salary and other compensation (e.g. in-kind benefits). There is no stock-option or share-transfer scheme for members of the Managing Board.

Principles and prerequisites of the pension scheme

The pension scheme is a defined-contribution scheme for all members of the Managing Board. The collective pension-fund bargaining agreement for commercial credit cooperatives has been applied to members of the Managing Board. All members of the VBW Managing Board who have a valid contract and a mandate to serve on the Board are eligible to join the scheme.

Principles governing pension entitlements and claims of members of the Managing Board in case of termination of the function

All members of the Managing Board are subject to the new severance payment system ("Abfertigung Neu"). There is also a D&O insurance policy (directors' and officers' insurance).

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-12/2023	1-12/2022	31 Dec 2023	31 Dec 2022
Employees	1,241	1,245	1,261	1,233
Workers	4	5	4	4
Total number of staff	**1,245**	**1,250**	**1,265**	**1,237**

All staff is domestic. The determination of figures is based on full time equivalents.

11) Income taxes

Euro thousand	31 Dec 2023	31 Dec 2022
Current income taxes	-5,409	-568
Deferred income taxes *	21,353	21,614
Income taxes for the current fiscal year *	**15,944**	**21,046**
Income taxes from previous periods	544	-1,025
Income taxes *	**16,488**	**20,022**

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

Euro thousand	31 Dec 2023	31 Dec 2022
Annual result before taxes - continued operation *	117,455	46,700
Annual result before taxes - total *	**117,455**	**46,700**
Imputed income tax 24 % (2022: 25 %) *	28,189	11,675
Tax relief resulting from		
Tax-exempt investment income	-597	-267
Investment allowances	-18	-15
Other tax-exempt earnings	-243	47
Dividend distribution on AT1 capital	-4,092	-4,263
Measurement of participations	248	-195
Re-inclusion of deferred tax assets	-42,332	-30,362
Changes in tax rates *	3,556	2,541
Other differences	-655	-208
Income taxes for the current fiscal year *	**-15,944**	**-21,046**
Income taxes from previous periods	-544	1,025
Reported income taxes *	**-16,488**	**-20,022**
Effective tax rate - continued operations *	**-14.04 %**	**-42.87 %**

* The previous year was restated in accordance with IAS 8.

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	-1,617	365	-1,252	9,009	-1,988	7,021
Revaluation reserve	289	-66	223	0	37	37
Fair value reserve - equity instruments	14,523	-3,210	11,313	1,196	-172	1,024
Valuation of own credit risk	1,202	-264	938	766	-179	587
Fair value reserve - debt instruments	708	-170	538	-1,908	469	-1,439
Cash flow hedge reserve	577	-143	435	-960	230	-730
Change from companies measured at equity	649	350	999	1,535	-357	1,177
Other comprehensive income total	**16,331**	**-3,138**	**13,193**	**9,637**	**-1,960**	**7,677**

Notes to the consolidated balance sheet

12) Liquid funds

Euro thousand	31 Dec 2023	31 Dec 2022
Cash in hand	42,156	42,906
Balances with central banks	3,261,663	3,302,486
Liquid funds	**3,303,819**	**3,345,392**

The balance sheet item Liquid funds includes cash on hand, the minimum reserve and receivables from the Oesterreichische Nationalbank (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	2,598,534	2,865,897
Gross carrying amount	2,598,534	2,865,897
Risk provisions *	-4,882	-9,402
Net carrying amount *	**2,593,652**	**2,856,495**
Loans and receivables customers		
Amortised cost	5,882,432	5,542,639
Fair value through profit or loss	65,729	81,069
Gross carrying amount	5,948,161	5,623,708
Fair value changes in the underlying items for portfolio hedges of interest rate risks	-41,246	-76,420
Risk provisions *	-90,243	-66,649
Net carrying amount *	**5,816,672**	**5,480,639**
Loans and receivables credit institutions and customers *	**8,410,324**	**8,337,134**

* The previous year was restated in accordance with IAS 8.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	508,468	798,285
Up to 3 months	514,364	359,997
Up to 1 year	693,140	400,694
Up to 5 years	777,060	1,282,972
More than 5 years	105,503	23,949
Loans and receivables credit institutions (gross)	**2,598,534**	**2,865,897**
On demand	402,934	295,108
Up to 3 months	42,673	53,262
Up to 1 year	115,387	129,242
Up to 5 years	666,691	595,865
More than 5 years	4,720,476	4,550,231
Loans and receivables customers (gross)	**5,948,161**	**5,623,708**

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 65,729 thousand (2022: euro 81,069 thousand).

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

Euro thousand 31 Dec 2023	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	151	-150
Change in risk markup +/- 100 bp	1,543	-1,462
Change in rating 1 stage down / up	18	-11
Change in rating 2 stages down / up	24	-28
31 Dec 2022		
Change in risk markup +/- 10 bp	201	-200
Change in risk markup +/- 100 bp	2,064	-1,952
Change in rating 1 stage down / up	28	-18
Change in rating 2 stages down / up	35	-44

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 *	**2,309**	**0**	**0**	**2,309**
Increases due to origination and acquisition *	7,821	0	0	7,821
Decreases due to derecognition *	-720	0	0	-720
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 *	-1	0	0	-1
As at 31 Dec 2022 *	**9,402**	**0**	**0**	**9,402**
Increases due to origination and acquisition	2,675	0	0	2,675
Decreases due to derecognition	-7,209	0	0	-7,209
Changes due to change in credit risk	6	0	0	6
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	8	0	0	8
As at 31 Dec 2023	**4,882**	**0**	**0**	**4,882**

* The previous year was restated in accordance with IAS 8.

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 *	**5,031**	**14,396**	**43,598**	**63,025**
Increases due to origination and acquisition *	1,268	354	10	1,632
Decreases due to derecognition	-166	-2,450	-3,200	-5,815
Changes due to change in credit risk	7,107	4,168	3,425	14,700
Thereof transfer to stage 1	755	-754	0	0
Thereof transfer to stage 2	-974	1,027	-53	0
Thereof transfer to stage 3	-13	-784	797	0
Post-Model Adjustment	-1,445	-524	0	-1,969
Decrease in allowance account due to write-offs	0	0	-5,004	-5,004
Other adjustments	-17	-898	994	80
As at 31 Dec 2022 *	**11,780**	**15,046**	**39,823**	**66,649**
Increases due to origination and acquisition	1,428	66	92	1,586
Decreases due to derecognition	-229	-398	-1,512	-2,140
Changes due to change in credit risk	-6,335	-1,759	29,065	20,972
Thereof transfer to stage 1	1,540	-1,540	0	0
Thereof transfer to stage 2	-2,232	2,249	-18	0
Thereof transfer to stage 3	-21	-1,000	1,021	0
Post-Model Adjustment	5,674	727	0	6,402
Decrease in allowance account due to write-offs	0	0	-3,326	-3,326
Other adjustments	-310	-1,469	1,878	99
As at 31 Dec 2023	**12,009**	**12,214**	**66,020**	**90,243**

* The previous year was restated in accordance with IAS 8.

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	**323**	**0**	**0**	**323**
Increases due to origination and acquisition	130	0	0	130
Decreases due to derecognition	-16	0	0	-16
Changes due to change in credit risk	337	0	0	337
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	**774**	**0**	**0**	**774**
Increases due to origination and acquisition	119	0	0	119
Decreases due to derecognition	-73	0	0	-73
Changes due to change in credit risk	-135	0	0	-135
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	**685**	**0**	**0**	**685**

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	**2**	**0**	**0**	**2**
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	0	0	0	0
Changes due to change in credit risk	1	0	0	1
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	**3**	**0**	**0**	**3**
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	0	0	0	0
Changes due to change in credit risk	-2	0	0	-2
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	**2**	**0**	**0**	**2**

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	20,755	25,140
Interest rate related transactions	20,755	25,140
Assets held for trading	**24,771**	**25,684**

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**

Since the acquisition of the CO function the company has maintained 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	2,673,459	2,093,025
Fair value through OCI	18,667	16,215
Fair value through profit or loss	3,295	4,160
Risk provision	-685	-774
Carrying amount	**2,694,737**	**2,112,625**

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

Financial investments measured at fair value through profit or loss include equity instruments in the amount of euro 1,274 thousand (2022: euro 2,189 thousand).

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	82,823	50,705
Up to 1 year	133,666	139,750
Up to 5 years	1,181,300	800,445
More than 5 years	1,296,358	1,120,311
Bonds and other fixed-income securities	**2,694,147**	**2,111,210**

Breakdown of debt securities in accordance with the Austrian Banking Act

Euro thousand	31 Dec 2023	31 Dec 2022
Listed securities	2,678,540	2,099,631
Bonds and other fixed-income securities	2,677,853	2,098,995
Equity and other variable-yield securities	687	636
Securities allocated to fixed assets	2,693,412	2,110,398
Securities eligible for rediscounting	2,684,984	2,076,938

All securities which the Group intends to hold for more than one year are shown in the position Securities allocated to fixed assets.

17) Investment property

Euro thousand	Investment properties
Acquisition costs as at 01 Jan 2022	**21,370**
Reclassification	0
Disposals	-421
Acquisition costs as at 31 Dec 2022	**20,949**
Reclassification	1,042
Disposals	0
Acquisition costs as at 31 Dec 2023	**21,991**
Cumulative valuation 01 Jan 2022	**5,832**
Reclassification	0
Disposals	-1,489
Valuation losses	-50
Valuation gains	1,219
Cumulative valuation 31 Dec 2022	**5,512**
Reclassification	-172
Disposals	0
Valuation losses	-696
Valuation gains	552
Cumulative valuation 31 Dec 2023	**5,196**
Carrying amount 01 Jan 2022	27,202
Carrying amount 31 Dec 2022	26,461
Carrying amount 31 Dec 2023	**27,187**

The valuations shown in the table above are included within Result from financial instruments and investment properties. These valuations include holdings of investment property assets in the amount of euro -144 thousand (2022: euro 1,169 thousand) at the reporting date.

In the financial year 2023, investment properties with a carrying amount of euro 0 thousand (2022: euro 1,910 thousand) was disposed of.

Investment properties contain 11 completed properties (2022: 9) with a carrying amount of euro 16,362 thousand (2022: euro 15,060 thousand), as well as undeveloped land with a carrying amount of euro 10,825 thousand (2022: euro 11,401 thousand). At the reporting date, all investment properties are measured at fair value and are located in Austria.

The valuation of investment properties uses parameters which are not based on market data. Investment properties are therefore classified in Level 3 of the fair value hierarchy.

The non-observable input factors are provided by independent external experts and reflect the current market assessment taking into account 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 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 sensitivity analysis was calculated for all investment properties, regardless of whether they are reported as investment properties or assets held for sale.

Completed properties

	2023			2022		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	82	4,780	1,487	70	4,770	1,673
Rentable space in sqm	38	2,741	1,391	38	2,741	1,468
Occupancy rate	0 %	100 %	94 %	79 %	100 %	96 %
Discount rate	3.75 %	5.50 %	4.78 %	3.50 %	7.25 %	5.39 %

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)	-814	904
Discount rate (0.50 % change)	-1,551	1,913
31 Dec 2022		
Discount rate (0.25 % change)	-668	733
Discount rate (0.50 % change)	-1,279	1,541

Undeveloped land

	2023			2022		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Carrying amount in euro thousand	35	2,940	984	41	3,000	1,036
Plot size in sqm	540	48,263	16,280	540	48,263	16,274
Value per sqm	6	241	142	5	267	151

Sensitivity analysis

Euro thousand	Changes in the carrying amount	
31 Dec 2023	if assumption is increased	if assumption is decreased
Land value (10 % change)	1,083	-1,083
Land value (5 % change)	541	-541
31 Dec 2022		
Land value (10 % change)	1,140	-1,140
Land value (5 % change)	570	-570

The Group has committed to the maintenance of investment property refinanced by 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	**38,909**
Additions	0
Proportional comprehensive income	2,146
Impairment	-1,199
Carrying amount as at 31 Dec 2022	**39,856**
Additions	682
Proportional comprehensive income	6,835
Impairment	-5,224
Carrying amount as at 31 Dec 2023	**42,150**

Associated companies

VBW holds shares in the two associated companies Volksbank Kärnten eGen (VB Kärnten) and VB Verbund-Beteiligung eG (VB Bet).

VBW holds a 26.59 % (2022: 26.34 %) share in VB Kärnten with registered office in Klagenfurt. The company's main business purpose consists of banking operations and bank-related brokering and services.

VBW holds a 30.45 % (2022: 29.12 %) share in VB Bet with registered office in Vienna. The main business of the company is the holding of participations within the Association of Volksbanks.

None of the companies are listed on the stock exchange.

After allocating the share of total comprehensive income of the associated companies, an annual assessment is made as to whether there are any indications that the calculated carrying amount is higher than the recoverable amount. If the proportional carrying amount is below the recoverable amount, an impairment loss is recognised to the recoverable amount. In the financial year 2023, VB Kärnten recorded an impairment of euro 5,224 thousand (2022: euro 1,199 thousand).

Additional information regarding associates

	VB Kärnten		VB Bet	
Euro thousand	**2023**	**2022**	**2023**	**2022**
Assets				
Liquid funds	8,660	7,987	0	0
Loans and receivables credit institutions (net)	238,482	252,658	46,104	26,000
Loans and receivables customers (net)	1,229,773	1,187,622	0	0
Financial investments	16,144	15,733	0	0
Other assets	58,815	54,106	69,017	84,316
Total assets	**1,551,875**	**1,518,106**	**115,120**	**110,316**
of which current assets	487,006	484,741	115,120	90,384
Liabilities and Equity				
Amounts owed to credit institutions	2,783	2,671	0	0
Amounts owed to customers	1,383,893	1,378,130	0	0
Lease liabilities	3,988	4,593	0	0
Subordinated liabilities	6,789	6,789	0	0
Other liabilities	23,261	13,300	3,426	3,864
Equity	131,161	112,624	111,695	106,452
Total liabilities and equity	**1,551,875**	**1,518,106**	**115,120**	**110,316**
of which current liabilities	1,343,187	1,393,611	3,426	3,864
Statement of comprehensive income				
Interest and similar income	54,364	28,733	1,316	384
Interest and similar expense	-9,099	-1,136	0	-260
Net interest income	45,265	27,596	1,316	124
Risk provisions	-1,276	-1,367	0	0
Result before taxes	23,452	4,450	5,629	152
Income taxes	-6,307	-813	-344	-879
Result after taxes	17,145	3,637	5,285	-727
Other comprehensive income	2,609	105	944	3,949
Comprehensive income	**19,754**	**3,742**	**6,229**	**3,222**

Reconciliation

Euro thousand	2023	2022	2023	2022
Equity	131,161	112,624	111,695	106,452
Equity interest	26.59 %	26.34 %	30.45 %	29.12 %
Equity proportional	34,876	29,665	34,009	30,999
Cumulative impairment and reversals	-16,817	-11,593	0	0
Valuation previous years	-9,313	-9,313	-605	97
Carrying amount as at 31 Dec	**8,746**	**8,759**	**33,404**	**31,097**

In the reconciliation, the proportional equity is reconciled with the carrying amount. The line Valuations previous years includes the fair value measurement of the contribution of the CO business unit.

According to the statutory provisions of the Cooperative Societies Act (GenG), VBW will only get back its original capital contribution if it terminates its shares in VB Kärnten or VB Bet (not in the event of liquidation or sale).

19) Participations

Euro thousand	31 Dec 2023	31 Dec 2022
Investments in unconsolidated affiliates	2,355	2,344
Investments in companies with participating interest	4,890	3,476
Investments in other participations	70,633	57,195
Participations	**77,878**	**63,015**

A list of unconsolidated affiliates is shown in note 53). Participations with a carrying amount of euro 400 thousand (2022: euro 51 thousand) were disposed of during the business year. The most significant participations in the item Other participations are Volksbanken Holding eGen with a carrying amount of euro 26,525 thousand (2022: euro 18,892 thousand), Volksbank Oberösterreich AG with a carrying amount of euro 13,190 thousand (2022: euro 11,996 thousand), and Volksbank

Steiermark AG with a carrying amount of euro 9,382 thousand (2022: euro 6,975 thousand). Income from participations is included in the income statement in the item Result from financial instruments and investment properties. Income from participations includes dividends of euro 2,334 thousand (2022: euro 1,159 thousand) from participations measured at fair value through OCI.

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

Sensitivity analysis

Participations, measured by using the DCF method

Euro thousand		Proportional fair value		
		Interest rate		
31 Dec 2023		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	9,434	9,168	8,925
Income component	**Actual**	10,112	**9,817**	9,547
	10.00 %	10,790	10,466	10,169
31 Dec 2022				
	-10.00 %	9,043	8,645	8,281
Income component	**Actual**	10,048	**9,683**	9,201
	10.00 %	11,053	10,567	10,121

Participations, measured by net assets

Euro thousand 31 Dec 2023	Proportional fair value If assumption is decreased	Actual	If assumptions is increased
Net assets (10 % change)	5,708	**6,343**	6,976
31 Dec 2022			
Net assets (10 % change)	5,129	**5,697**	6,268

Participations, measured based on external appraisals

Euro thousand 31 Dec 2023	Lower band	Actual	Upper band
Proportional fair value	50,605	**56,228**	61,851
31 Dec 2022			
Proportional fair value	38,788	**43,098**	47,408

20) Intangible assets

Euro thousand	Software	Others	Total
Acquisition costs as at 01 Jan 2022	**27,891**	**24,824**	**52,715**
Additions	528	0	528
Disposals	0	0	0
Acquisition costs as at 31 Dec 2022	**28,419**	**24,824**	**53,243**
Additions	242	0	242
Disposals	-2,695	0	-2,695
Acquisition costs as at 31 Dec 2023	**25,966**	**24,824**	**50,790**
Cumulative valuation 01 Jan 2022	**-26,818**	**-7,149**	**-33,966**
Disposals	0	0	0
Depreciation	-630	-1,291	-1,921
Cumulative valuation 31 Dec 2022	**-27,448**	**-8,440**	**-35,888**
Disposals	2,695	0	2,695
Depreciation	-628	-1,291	-1,919
Cumulative valuation 31 Dec 2023	**-25,381**	**-9,731**	**-35,113**
Carrying amount 01 Jan 2022	1,073	17,675	18,749
Carrying amount 31 Dec 2022	971	16,384	17,355
Thereof with limited useful life	971	16,384	17,355
Carrying amount 31 Dec 2023	**585**	**15,093**	**15,677**
Thereof with limited useful life	585	15,093	15,677

Other intangible assets essentially comprise customer relationships which were capitalised during the course of a business combination in accordance with IFRS 3 and are subject to regular depreciation for a period of 20 years.

21) Tangible assets

Euro thousand	Land and buildings	IT-Equipment	Office equipment and furniture	Others	Total
Acquisition costs as at 01 Jan 2022	**90,654**	**2,021**	**48,808**	**2,002**	**143,485**
Reclassification	-107	0	107	0	0
Additions	3,799	3	1,260	829	5,891
Disposals	-2,509	-432	-1,157	-701	-4,799
Assets held for sale	-951	0	0	0	-951
Acquisition costs as at 31 Dec 2022	**90,886**	**1,592**	**49,018**	**2,131**	**143,627**
Reclassification	-1,981	0	939	0	-1,042
Additions	3,202	31	998	297	4,529
Disposals	-6,630	-501	-5,532	-292	-12,955
Assets held for sale	0	0	0	0	0
Acquisition costs as at 31 Dec 2023	**85,477**	**1,122**	**45,423**	**2,136**	**134,159**
Cumulative valuation 01 Jan 2022	**-47,413**	**-1,485**	**-40,224**	**-1,444**	**-90,566**
Reclassification	0	0	0	0	0
Disposals	755	432	939	688	2,814
Assets held for sale	364	0	0	0	364
Depreciation	-2,065	-152	-2,281	-290	-4,788
Impairment	-167	0	0	0	-167
Cumulative valuation 31 Dec 2022	**-48,525**	**-1,204**	**-41,567**	**-1,046**	**-92,343**
Reclassification	461	0	0	0	461
Disposals	5,786	501	5,400	278	11,965
Assets held for sale	0	0	0	0	0
Depreciation	-1,967	-147	-2,443	-352	-4,908
Impairment	0	0	0	0	0
Cumulative valuation 31 Dec 2023	**-44,245**	**-850**	**-38,610**	**-1,121**	**-84,826**
Carrying amount 01 Jan 2022	43,241	536	8,584	558	52,919
Carrying amount 31 Dec 2022	42,361	388	7,451	1,084	51,284
Carrying amount 31 Dec 2023	**41,232**	**272**	**6,813**	**1,015**	**49,333**

Right of use

Euro thousand	Branches	Administration buildings	Others	Total
31 Dec 2022				
Amortised cost	63,038	31,207	0	94,245
Additions	1,084	0	0	1,084
Depreciation	-2,518	-1,724	0	-4,243
Carrying amount	**52,163**	**25,579**	**0**	**77,742**
31 Dec 2023				
Amortised cost	60,816	34,625	123	95,565
Additions	173	0	123	297
Depreciation	-2,092	-1,983	-6	-4,080
Carrying amount	**47,310**	**27,430**	**118**	**74,858**

In 2022, three buildings at VBW were sold and the branches located therein were subsequently leased back; this transaction only had an insignificant impact on earnings and resulted in a cash inflow of euro 1,086 thousand. No disposals occurred in the 2023 financial year.

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	0	4,784	2,630	1,473
Deferred tax *	73,724	450	56,163	737
Tax total *	**73,724**	**5,234**	**58,793**	**2,210**

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

	31 Dec 2023		31 Dec 2022		Net deviation 2023		
Euro thousand	Tax assets	Tax liabilities	Tax assets	Tax liabilities	Total	In income statement	In other comprehensive income
Loans and receivables credit institutions (net) *	1,362	1,120	2,457	2,255	40	40	0
Loans and receivables customers (net) *	20,303	0	32,949	0	-12,646	-12,646	0
Assets held for trading	2,847	0	2,600	0	247	247	0
Financial investments (net)	4,427	2,551	23,583	0	-21,707	-21,537	-170
Investment property	0	2,890	0	2,932	42	42	0
Participations	1,973	1,626	4,921	551	-4,023	-813	-3,210
Intangible and tangible assets	44	21,729	57	23,521	1,778	1,845	-66
Amounts owed to customers	935	0	911	0	25	25	0
Debts evidenced by certificates and subordinated liabilities	0	17,558	0	48,875	31,317	31,581	-264
Lease liabilities	18,297	0	19,739	0	-1,442	-1,442	0
Liabilities held for trading	0	2,787	0	2,278	-509	-509	0
Provisions for pensions, severance payments and other provisions *	4,894	1,382	4,641	1,936	806	458	348
Other assets and liabilities	61,610	48,440	72,041	59,235	364	507	-143
Tax loss carryforwards	56,665	0	33,111	0	23,555	23,555	0
Deferred taxes before netting *	**173,357**	**100,084**	**197,009**	**141,583**	**17,847**	**21,353**	**-3,505**
Offset between deferred tax assets and deferred tax liabilities *	-99,633	-99,633	-140,846	-140,846	0	0	0
Reported deferred taxes *	**73,724**	**450**	**56,163**	**737**	**17,847**	**21,353**	**-3,505**

* The previous year was restated in accordance with IAS 8.

Deferred tax assets and deferred tax liabilities are only offset within 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 examining 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 230,556 thousand (2022: euro 396,681 thousand) no deferred taxes were recognised. Of these non-recognised tax loss carryforwards, euro 230,556 thousand (2022: euro 396,681 thousand) can be carried forward without restriction and primarily concern VBW itself.

In accordance with IAS 12.39, deferred tax liabilities for temporary differences relating to investments in subsidiaries in the amount of euro 1,341 thousand (2022: euro 2,511 thousand) and deferred tax assets in the amount of euro 3,597 thousand (2022: euro 11,158 thousand) were not recognised, as they are not expected to reverse in the forseeable future.

The new Minimum Taxation Act (MinBestG) came into force in Austria on 31 December 2023. On 20 December 2023, the Bundesrat approved the draft law submitted by the Nationalrat to implement Council Directive (EU) 2022/2523 to ensure a global minimum level of taxation for multinational enterprise groups and large domestic groups in the Union. The law was published in the Federal Law Gazette on 30 December 2023 (Federal Law Gazette I 2023/187).

The Minimum Taxation Act must be applied for the first time for financial years beginning after 31 December 2023. Business units covered by the scope of the Minimum Taxation Act will be subject to a minimum effective tax rate of 15 % in future. If, in any tax jurisdiction, the effective tax rate calculated in accordance with the regulations falls below the minimum tax rate of 15 %, this constitutes low taxation within the meaning of the Minimum Taxation Act, and a supplementary tax is to be levied at the level of the domestic business units concerned by means of a primary supplementary tax (Primärergänzungssteuer/PES or Income Inclusion Rule/IIR) or secondary supplementary tax (Sekundärergänzungssteuer/SES or Undertaxed Profits Rule/UTPR).

VBW is not currently covered by the scope of the Minimum Taxtation Act, as the turnover limit of euro 750 million was not exceeded in at least two of the previous four financial years, on the basis of the IFRS consolidated financial statements.

23) Other assets

Euro thousand	31 Dec 2023	31 Dec 2022
Deferred items	3,882	3,190
Other receivables and assets	27,884	27,847
Positive fair values of derivative instruments	273,590	273,166
Other assets	**305,356**	**304,204**

Other receivables and assets essentially consist of open outgoing invoices and accruals in the amount of euro 11,773 thousand (2022: euro 13,897 thousand), auxiliary accounts of the banking business in the amount of euro 7,472 thousand (2022: euro 6,449 thousand), receivables to employees in the amount of euro 3,751 thousand (2022: euro 3, 349 thousand) and property sales in the amount of euro 0 thousand (2022: euro 1,340 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 76,854 thousand (2022: euro 71,483 thousand) 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 under 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	196,736	0	201,683	0
Positive fair values of derivative instruments	**196,736**	**0**	**201,683**	**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
Tangible assets	0	587
Assets held for sale	**0**	**587**

The decrease in the reporting year in the amount of euro 587 thousand is attributable to the sale of the Ebenfurth property.

25) Amounts owed to credit institutions

Euro thousand	31 Dec 2023	31 Dec 2022
Central banks	616,157	1,606,641
Other credit institutions	2,372,006	2,451,405
Amounts owed to credit institutions	**2,988,163**	**4,058,046**

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	2,202,916	2,532,511
Up to 3 months	69,080	124,508
Up to 1 year	619,453	1,989
Up to 5 years	11,471	1,300,435
More than 5 years	85,242	98,603
Amounts owed to credit institutions	**2,988,163**	**4,058,046**

The information about maturities of future cash flows is shown in note 34).

26) Amounts owed to customers

Euro thousand	31 Dec 2023	31 Dec 2022
Savings deposits	1,014,407	1,516,911
Other deposits	5,516,701	5,247,898
Fair value changes in the underlying items for portfolio hedges of interest rate risks	395	-238
Amounts owed to customers	**6,531,503**	**6,764,572**

Amounts owed to customers are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	5,540,231	6,228,163
Up to 3 months	126,349	154,839
Up to 1 year	635,019	354,894
Up to 5 years	229,506	26,909
More than 5 years	3	4
Amounts owed to customers	**6,531,108**	**6,764,810**

The information about maturities of future cash flows is shown in note 34).

27) Debts evidenced by certificates

Euro thousand	31 Dec 2023	31 Dec 2022
Bonds	3,322,662	1,723,251
Amortised cost	3,252,536	1,655,950
Fair value through profit or loss - designated	70,126	67,301
Debts evidenced by certificates	**3,322,662**	**1,723,251**

The item Bonds - measured at fair value through profit or loss comprises the redemption amount at maturity of euro 50,000 thousand (2022: euro 50,000 thousand), the FV 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	185,063	9,841
Up to 5 years	2,188,962	1,079,831
More than 5 years	946,367	629,578
Debts evidenced by certificates	**3,322,662**	**1,723,251**

The information about maturities of future cash flows is shown in note 34).

28) Lease liabilities

Euro thousand	31 Dec 2023	31 Dec 2022
Up to 3 months	1,008	973
Up to 1 year	2,965	2,907
Up to 5 years	19,352	18,709
More than 5 years	56,228	59,658
Lease liabilities	**79,553**	**82,248**

The information about maturities of future cash flows is shown in note 34).

Presentation of the inflow and outflow of lease liabilities

Euro thousand	Lease liabilities
As at 01 Jan 2022	**82,541**
Cash inflow	0
Cash outflow	-4,484
Non-cash changes	
Others	4,191
Total non-cash changes	4,191
As at 31 Dec 2022	**82,248**
Cash inflow	0
Cash outflow	-3,830
Non-cash changes	
Others	1,136
Total non-cash changes	1,136
As at 31 Dec 2023	**79,553**

29) Liabilities held for trading

Euro thousand	31 Dec 2023	31 Dec 2022
Negative fair values of derivative instruments		
Interest rate related transactions	23,946	29,693
Liabilities held for trading	**23,946**	**29,693**

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 *	**1,157**	**1,620**	**2,503**	**5,280**
Increases due to origination and acquisition *	1,462	39	373	1,874
Decreases due to derecognition *	-137	-162	-120	-420
Changes due to change in credit risk	261	403	1,439	2,103
Thereof transfer to stage 1	67	-67	0	0
Thereof transfer to stage 2	-92	96	-4	0
Thereof transfer to stage 3	0	-20	21	0
Post-Model Adjustment	-145	-79	0	-224
Other adjustments *	-10	-7	10	-7
As at 31 Dec 2022 *	**2,587**	**1,813**	**4,205**	**8,605**
Increases due to origination and acquisition	822	24	29	876
Decreases due to derecognition	-1,138	-66	-205	-1,408
Changes due to change in credit risk	-1,045	106	1,878	938
Thereof transfer to stage 1	128	-128	0	0
Thereof transfer to stage 2	-217	221	-4	0
Thereof transfer to stage 3	0	-42	42	0
Post-Model Adjustment	527	15	0	541
Other adjustments	-16	-199	216	0
As at 31 Dec 2023	**1,737**	**1,693**	**6,123**	**9,552**

* The previous year was restated in accordance with IAS 8.

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

Other provisions

Euro thousand	Restructuring	Interest claims in connection with loans with floors	Pending litigations	Others	Total
As at 01 Jan 2022	**2,388**	**1,244**	**573**	**3,349**	**7,555**
Reclassification	-399	0	0	399	0
Utilisation	-240	0	-69	-491	-801
Release	-380	-1,244	-117	-786	-2,528
Addition	330	0	58	186	574
As at 31 Dec 2022	**1,699**	**0**	**445**	**2,657**	**4,801**
Reclassification	0	0	0	0	0
Utilisation	-122	0	-19	-510	-651
Release	-1,252	0	-28	-1,139	-2,419
Addition	90	0	0	175	265
As at 31 Dec 2023	**415**	**0**	**399**	**1,182**	**1,996**

Provisions are recorded at the best possible estimate of the expected outflow of resources with economic benefits as at the balance sheet date, taking into account 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 completely in 2022.

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	**9,954**	**37,828**	**7,279**	**55,061**
Transfer of employees	0	62	0	62
Current service costs	37	1,577	439	2,052
Interest costs	32	158	31	221
Payments	-900	-1,231	-516	-2,646
Actuarial gains or losses arising from changes in financial assumptions	-354	-8,655	-1,348	-10,358
Net present value as at 31 Dec 2022	**8,769**	**29,739**	**5,885**	**44,393**
Transfer of employees	0	0	0	0
Current service costs	23	1,225	323	1,571
Interest costs	334	1,179	236	1,749
Payments	-958	-1,419	-440	-2,817
Actuarial gains or losses arising from changes in financial assumptions	577	1,040	308	1,926
Net present value as at 31 Dec 2023	**8,745**	**31,764**	**6,313**	**46,822**

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 present value of plan assets.

In 2023, contribution payments to plan assets are expected in the amount of euro 17 thousand (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	8,769	29,739	5,885	44,393
Net present value of plan assets	-994	0	0	-994
Net liability recognised in balance sheet	**7,775**	**29,739**	**5,885**	**43,399**
31 Dec 2023				
Long-term employee provision	8,745	31,764	6,313	46,822
Net present value of plan assets	-1,115	0	0	-1,115
Net liability recognised in balance sheet	**7,630**	**31,764**	**6,313**	**45,707**

Historical information

Euro thousand	2023	2022	2021	2020	2019
Net present value of obligations	46,822	44,393	55,061	57,404	63,469
Net present value of plan assets	1,115	994	1,029	987	971

Composition of plan assets

	31 Dec 2023			31 Dec 2022		
Euro thousand	Plan assets - quoted	Plan assets - non-quoted	Plan assets - total	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 that have a market price that is 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.

	Change in the present value	
Euro thousand	Increase of assumption	Decrease of assumption
31 Dec 2022		
Discount rate (0.75 % modification)	-2,795	3,137
Future wage and salary increases (0.50 % modification)	1,714	-1,607
Future pension increases (0.25 % modification)	197	-189
Future mortality (1 year modification)	532	-515
31 Dec 2023		
Discount rate (0.75 % modification)	-2,656	3,541
Future wage and salary increases (0.50 % modification)	1,723	-1,741
Future pension increases (0.25 % modification)	191	-183
Future mortality (1 year modification)	535	-514

As at 31 December 2023, the weighted average term of defined-benefit obligations for pensions was 8.8 years (2022: 9 years) and for severance payments 9 years (2022: 10.5 years).

Although the analysis does not take into account the full distribution of cash flows expected 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	1,723	1,340
Other liabilities	281,964	34,887
Negative fair values of derivative instruments	311,483	332,015
Other liabilities	**595,170**	**368,242**

Other liabilities mainly consist of auxiliary accounts of the banking business in the amount of euro 224,230 thousand (2022: euro 3,131 thousand), incoming invoices and deferrals in the amount of euro 16,432 thousand (2022: euro 14,143 thousand), taxes and fiscal liabilities in the amount of euro 8,383 thousand (2022: euro 6,488 thousand), and commitments to staff in the amount of euro 7,757 thousand (2022: euro 5,928 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 euro 78,022 thousand (2022: euro 68,172 thousand) 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	232,748	713	262,847	996
Negative fair values of derivative instruments	**232,748**	**713**	**262,847**	**996**

33) Subordinated liabilities

Euro thousand	31 Dec 2023	31 Dec 2022
Subordinated capital	401,973	398,817
Subordinated liabilities	**401,973**	**398,817**

Subordinated liabilities are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2023	31 Dec 2022
On demand	0	0
Up to 3 months	0	0
Up to 1 year	0	0
Up to 5 years	401,973	398,817
More than 5 years	0	0
Subordinated liabilities	**401,973**	**398,817**

Presentation of the inflow and outflow of subordinated liabilities

Euro thousand	bordinated li-abilities
As at 01 Jan 2022	**403,105**
Cash inflow	0
Cash outflow	-4,600
Non-cash changes	
Others	311
Total non-cash changes	311
As at 31 Dec 2022	**398,817**
Cash inflow	0
Cash outflow	0
Non-cash changes	
Others	3,157
Total non-cash changes	3,157
As at 31 Dec 2023	**401,973**

34) Cash flows from liabilities based on maturities

The table below presents the future cash flows from liabilities classified according to their maturity:

Euro thousand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Undiscounted cash flows	Carrying amount
31 Dec 2023						
Amounts owed to credit institutions	2,272,985	619,706	16,840	128,781	**3,038,312**	2,988,163
Amounts owed to customers	5,701,648	645,166	244,062	47,837	**6,638,713**	6,531,503
Debts evidenced by certificates	2,270	304,728	2,465,719	999,390	**3,772,107**	3,322,662
Lease liabilities	0	0	0	0	**0**	79,553
Derivative instruments trading book	0	0	0	0	**0**	23,946
Subordinated liabilities	0	20,768	459,441	0	**480,209**	401,973
Derivative instruments banking book	0	0	0	0	**0**	311,483
31 Dec 2022						
Amounts owed to credit institutions	2,689,856	2,153	1,303,281	117,934	**4,113,223**	4,058,046
Amounts owed to customers	6,410,817	355,720	27,252	12,756	**6,806,546**	6,764,572
Debts evidenced by certificates	4,000	56,470	1,190,305	648,042	**1,898,817**	1,723,251
Lease liabilities	0	0	0	0	**0**	82,248
Derivative instruments trading book	0	0	0	0	**0**	29,693
Subordinated liabilities	0	20,768	477,052	0	**497,820**	398,817
Derivative instruments banking book	0	0	0	0	**0**	332,015

Cash flows for contingent liabilities are shown in note 43).

35) Equity

As at 31 December 2023, the subscribed capital of VBW before deduction of treasury stocks amounted to euro 137,547 thousand (2022: euro 137,547 thousand). It consists of registered shares as follows:

		Euro thousand
1,467,163	Non-par value shares	137,547

Changes in subscribed capital

Number of units	Shares
Shares outstanding as of 31 Dec 2022	1,467,163
Repurchase of own shares	-6,658
Shares outstanding as of 31 Dec 2023	**1,460,505**

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.

Dividend payment

Euro thousand	2023	2022
Dividend voting equity	3,316	3,478
Dividend non-voting equity	0	933
Coupon for the AT1 emission	17,050	17,050
Total	**20,366**	**21,461**

The dividend payment for non-voting capital includes the distribution to the federal government from the government's participation right (Bundesgenussrecht) in RZG. Details of the government's participation right are set out in more detail in note 2).

A distribution on voting capital in the amount of euro 7,595 thousand is planned for the 2024 financial year.

Shareholder contributions

Contributions made by the shareholders of VBW to RZG in the amount of euro 0 thousand (2022: euro 669 thousand) are presented in the development of the Group's equity under Payment shareholder.

Return on capital employed

The return on capital employed for the business year was 0.9 % (2022: 0.5 %) and was calculated as the ratio of result after taxes to total assets as at the reporting date.

The following table shows a breakdown of and the changes to retained earnings and other reserves:

Euro thousand	Retained earnings	Other reserves IAS 19 reserve	Revaluation reserve	Fair value reserve - equity instruments	Fair value reserve - debt instruments	Cash flow hedge reserve	Own credit risk reserve	Retained earnings and other reserves
As at 01 Jan 2022	**274,272**	**2,984**	**1,374**	**17,269**	**862**	**-30**	**374**	**297,105**
Restatement *	**-2,101**							**-2,101**
As at 01 Jan 2022 restated	**272,171**	**2,984**	**1,374**	**17,269**	**862**	**-30**	**374**	**295,004**
Consolidated net income *	66,698							66,698
Other comprehensive income	0	7,301	37	2,038	-1,556	-730	587	7,677
Dividends paid	-4,411							-4,411
Coupon for the AT1 emission	-17,050							-17,050
Repurchase treasury stocks								0
Reclassification capital reserve	3,185							3,185
Reclassification fair value reserve due to sale	-42			42				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	16							16
As at 31 Dec 2022 restated	**320,567**	**10,285**	**1,411**	**19,349**	**-694**	**-760**	**961**	**351,119**
Consolidated net income	133,943							133,943
Other comprehensive income	0	-1,267	223	12,289	576	435	938	13,193
Dividends paid	-3,316							-3,316
Coupon for the AT1 emission	-17,050							-17,050
Repurchase treasury stocks	-6,774							-6,774
Reclassification capital reserve	0							0
Reclassification fair value reserve due to sale	-2,354			2,354				0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	63							63
As at 31 Dec 2023	**425,079**	**9,018**	**1,633**	**33,992**	**-117**	**-325**	**1,899**	**471,179**

* The previous year was restated in accordance with IAS 8.

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 VBW Group 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; Vienna	0.000 %	<0.001 %	Other companies
GB IMMOBILIEN Verwaltungs- und Verwertungs- GmbH; Vienna	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.; Vienna	0.000 %	0.005 %	Other companies

The following table presents the financial information for the companies in aggregated form as the latter 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 do not hold liquid funds and their business activity can basically be described as operational business activities, no cash flow statement is presented in accordance with IAS 1.31.

36) Own funds

The own funds of the VBW credit institution group which were calculated pursuant to the Capital Requirement Regulations (CRR) break down as follows:

Euro thousand	31 Dec 2023	31 Dec 2022
Common Tier 1 capital: Instruments and reserves		
Capital instruments including share premium accounts	338,303	340,175
Retained earnings *	370,830	267,780
Accumulated other comprehensive income (and other reserves)	157,476	139,430
Common Tier 1 capital before regulatory adjustments *	866,609	747,385
Common Tier 1 capital: regulatory adjustments		
Intangible assets (net of related tax liability)	-15,677	-17,355
Cash flow hedge reserve	325	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	246	266
Value adjustments due to the requirement for prudent valuation	-879	-890
CET1 instruments of financial sector entities where the institution has a significant investment	-325	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-56,319	-32,656
Insufficient coverage for non-performing exposures	-2,272	-1,277
Regulatory adjustments - transitional provisions	4,039	8,405
Adjustments to be made due to transitional regulations under IFRS 9	4,039	8,405
Amount exceeding the threshold of 17.65 %	0	0
Additional CET1 deductions pursuant to article 3 CRR	-12,554	-27,476
Total regulatory adjustments	-85,315	-71,184
Common equity Tier 1 capital - CET1 *	**781,293**	**676,201**
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) *	**1,001,293**	**896,201**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts	300,183	379,926
Tier 2 capital before regulatory adjustments	300,183	379,926
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier 2 capital - T2	**300,183**	**379,926**
Own funds total - TC (T1 + T2) *	**1,301,477**	**1,276,128**
Common equity Tier 1 capital ratio *	17.20 %	16.77 %
Tier 1 capital ratio *	22.04 %	22.23 %
Equity ratio *	28.65 %	31.65 %
each in relation to total risk exposure amount		

The risk-weighted assessment amounts as defined in the CRR break down as follows:

Euro thousand	31 Dec 2023	31 Dec 2022
Risk weighted exposure amount - credit risk	3,849,585	3,400,284
Total risk exposure amount - settlement risk	0	109
Total risk exposure amount for position, foreign exchange and commodities risks	22,650	20,969
Total risk exposure amount for operational risk	662,046	597,173
Total risk exposure amount for credit valuation adjustment (cva)	8,932	13,135
Total risk exposure amount	**4,543,212**	**4,031,670**

* The previous year was restated in accordance with IAS 8.

The following table shows the own funds of the VBW credit institution group 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	338,303	340,175
Retained earnings *	370,830	267,780
Accumulated other comprehensive income (and other reserves)	157,476	139,430
Common Tier 1 capital before regulatory adjustments *	866,609	747,385
Common Tier 1 capital: regulatory adjustments		
Intangible assets (net of related tax liability)	-15,677	-17,355
Cash flow hedge reserve	325	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	246	266
Value adjustments due to the requirement for prudent valuation	-879	-890
CET1 instruments of financial sector entities where the institution has a significant investment	-325	0
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-56,319	-32,656
Amount exceeding the threshold of 17.65 %	0	0
Insufficient coverage for non-performing exposures	-2,272	-1,277
Additional CET1 deductions pursuant to article 3 CRR	-12,554	-27,476
Total regulatory adjustments	-89,355	-79,589
Common equity Tier 1 capital - CET1 *	**777,254**	**667,796**
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) *	**997,254**	**887,796**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts	300,183	379,926
Tier 2 capital before regulatory adjustments	300,183	379,926
Tier 2 capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier 2 capital - T2	**300,183**	**379,926**
Own funds total - TC (T1 + T2) *	**1,297,437**	**1,267,722**
Common equity Tier 1 capital ratio *	17.12 %	16.60 %
Tier 1 capital ratio *	21.97 %	22.07 %
Equity ratio *	28.58 %	31.51 %
each in relation to total risk exposure amount		

The risk-weighted assessment amounts as defined in the CRR break down as follows:

Euro thousand	31 Dec 2023	31 Dec 2022
Risk weighted exposure amount - credit risk	3,846,176	3,391,878
Total risk exposure amount - settlement risk	0	109
Total risk exposure amount for position, foreign exchange and commodities risks	22,650	20,969
Total risk exposure amount for operational risk	662,046	597,173
Total risk exposure amount for credit valuation adjustment (cva)	8,932	13,135
Total risk exposure amount	**4,539,804**	**4,023,265**

* The previous year was restated in accordance with IAS 8.

Group issues which are included in Tier 1 or Tier 2

31 Dec 2023 ISIN	Name	Identification IFRS	Redemption date	Conditions	Nominal value in euro thousand
AT1					
AT000B121991	Additional Tier 1 capital	Additional Tier 1 capital	perpetual	7.75 % p.a.; from 9 April 2024 every 5 Y with 5Y-CMS plus 788 bp	220,000
Tier 2 issues					
AT000B121967	Subordinated 17-27	subordinated liabilities at amortised cost	06 Oct 2027	2.75% p.a.; from 6 Oct 2023 5Y-Mid Swap + 255 bp p.a.	400,000
31 Dec 2022					
AT1					
AT000B121991	Additional Tier 1 capital	Additional Tier 1 capital	perpetual	7.75 % p.a.; from 9 April 2024 every 5 Y with 5Y-CMS plus 788 bp	220,000
Tier 2 issues					
AT000B121967	Subordinated 17-27	subordinated liabilities at amortised cost	06 Oct 2027	2.75% p.a.; from 6 Oct 2023 5Y-Mid Swap + 255 bp p.a.	400,000

In accordance with IFRS reporting, the scope of consolidation differs from the scope of consolidation under the CRR as the IFRS provide for the inclusion of other entities not belonging to the financial sector. According to the CRR, companies in the financial sector that are under the control of the parent or where the Group holds a majority of shares either directly or indirectly, are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing banking-related auxiliary services that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to Section 19 (1) of the CRR is deducted from own funds. Subsidiaries which are managed jointly with non-Group companies are consolidated proportionately. Investments in companies in the financial sector with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in companies in the financial sector of less than 10 % are deducted from own funds considering the eligibility according to article 46 CRR. All other 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 directly or indirectly are considered in the scope of consolidation according to the CRR.

In the 2023 financial year, there were no substantive, practical or legal impediments to the transfer of own funds or the redemption of liabilities between the parent institution and its subordinate institutions.

37) 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	3,303,819	0	0	3,303,819	3,303,819
Loans and receivables credit institutions (gross)	2,598,534	0	0	2,598,534	
Loans and receivables credit institutions less accumulated impairment	2,598,534	0	0	2,598,534	2,595,414
Loans and receivables customers (gross)	5,882,432	0	65,729	5,948,161	
Accumulated impairment	-66,020	0	0	-66,020	
Loans and receivables customers less accumulated impairment	5,816,412	0	65,729	5,882,141	5,857,482
Assets held for trading	0	0	24,771	24,771	24,771
Financial investments (gross)	2,673,459	18,667	3,295	2,695,421	
Financial investments less accumulated impairment	2,673,459	18,667	3,295	2,695,421	2,642,940
Participations	0	77,878	0	77,878	77,878
Derivative instruments	0	0	273,590	273,590	273,590
Financial assets total	**14,392,224**	**96,545**	**367,385**	**14,856,154**	**14,775,893**
Amounts owed to credit institutions	2,988,163	0	0	2,988,163	2,964,106
Amounts owed to customers	6,531,108	0	0	6,531,108	6,599,136
Debts evidenced by certificates	3,252,536	0	70,126	3,322,662	3,313,725
Lease liabilities	79,553	0	0	79,553	79,553
Liabilities held for trading	0	0	23,946	23,946	23,946
Derivative instruments	0	0	311,483	311,483	311,483
Subordinated liabilities	401,973	0	0	401,973	395,552
Financial liabilities total	**13,253,333**	**0**	**405,555**	**13,658,889**	**13,687,501**
31 Dec 2022					
Liquid funds	3,345,392	0	0	3,345,392	3,345,392
Loans and receivables credit institutions (gross)	2,865,897	0	0	2,865,897	
Loans and receivables credit institutions less accumulated impairment	2,865,897	0	0	2,865,897	2,847,308
Loans and receivables customers (gross)	5,542,639	0	81,069	5,623,708	
Accumulated impairment	-39,823	0	0	-39,823	
Loans and receivables customers less accumulated impairment	5,502,816	0	81,069	5,583,885	5,308,738
Assets held for trading	0	0	25,684	25,684	25,684
Financial investments (gross)	2,093,025	16,215	4,160	2,113,399	
Financial investments less accumulated impairment	2,093,025	16,215	4,160	2,113,399	2,049,455
Participations	0	63,015	0	63,015	63,015
Derivative instruments	0	0	273,166	273,166	273,166
Financial assets total	**13,807,130**	**79,229**	**384,080**	**14,270,439**	**13,912,758**
Amounts owed to credit institutions	4,058,046	0	0	4,058,046	4,045,583
Amounts owed to customers	6,764,810	0	0	6,764,810	6,755,275
Debts evidenced by certificates	1,655,950	0	67,301	1,723,251	1,733,896
Lease liabilities	82,248	0	0	82,248	82,248
Liabilities held for trading	0	0	29,693	29,693	29,693
Derivative instruments	0	0	332,015	332,015	332,015
Subordinated liabilities	398,817	0	0	398,817	373,452
Financial liabilities total	**12,959,870**	**0**	**429,009**	**13,388,878**	**13,352,161**

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	65,729	65,729
Assets held for trading	4,016	20,755	0	24,771
Financial investments	20,688	1,274	0	21,963
Fair value through profit or loss	2,021	1,274	0	3,295
Fair value through OCI	18,667	0	0	18,667
Participations	0	0	77,860	77,860
Fair value through OCI - designated	0	0	77,860	77,860
Derivative instruments	0	273,590	0	273,590
Financial assets total	**24,704**	**295,619**	**143,589**	**463,913**
Debts evidenced by certificates	0	0	70,126	70,126
Liabilities held for trading	0	23,946	0	23,946
Derivative instruments	0	311,483	0	311,483
Financial liabilities total	**0**	**335,429**	**70,126**	**405,555**
31 Dec 2022				
Loans and receivables customers	0	0	81,069	81,069
Assets held for trading	544	25,140	0	25,684
Financial investments	18,185	2,189	0	20,374
Fair value through profit or loss	1,971	2,189	0	4,160
Fair value through OCI	16,215	0	0	16,215
Participations	0	0	62,997	62,997
Fair value through OCI - designated	0	0	62,997	62,997
Derivative instruments	0	273,166	0	273,166
Financial assets total	**18,730**	**300,495**	**144,066**	**463,291**
Debts evidenced by certificates	0	0	67,301	67,301
Liabilities held for trading	0	29,693	0	29,693
Derivative instruments	0	332,015	0	332,015
Financial liabilities total	**0**	**361,708**	**67,301**	**429,009**

Please refer to note 3) t) for a description of the valuation procedures used for participations. Participations in the amount of euro 18 thousand (2022: euro 18 thousand) were measured at amortised cost due to their immateriality.

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

In 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**	**107,693**	**61,873**	**169,625**	**86,179**	**86,179**
Additions	0	414	0	414	1,020	1,020
Disposals	-59	-24,385	-72	-24,515	-1,000	-1,000
Valuation						
Through profit or loss	0	-2,654	0	-2,654	-18,132	-18,132
Through OCI	0	0	1,196	1,196	-766	-766
As at 31 Dec 2022	**0**	**81,069**	**62,997**	**144,066**	**67,301**	**67,301**
Additions	0	273	740	1,013	1,078	1,078
Disposals	0	-14,919	-400	-15,319	0	0
Valuation						
Through profit or loss	0	-695	0	-695	2,949	2,949
Through OCI	0	0	14,523	14,523	-1,202	-1,202
As at 31 Dec 2023	**0**	**65,729**	**77,860**	**143,589**	**70,126**	**70,126**

The valuations shown in the table above are included in the item Result 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 to the amount of euro -3,694 thousand (2022: euro 15,520 thousand) at the reporting date.

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

Apart from measurement parameters and the statistical master data (derived from the payment profile as shown in the prospectus) that can be derived from the market, only 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:

Euro thousand 31 Dec 2023	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

Please refer to note 13) for further details regarding the sensitivities regarding the fair values of loans and receivables credit institutions and customers.

The sensitivities regarding the fair values of investment properties (IAS 40) are shown in note 17).

The sensitivities regarding the fair values of participations are shown 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 consolidated balance sheet or the consolidated 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	3,303,819	0	3,303,819	3,303,819
Loans and receivables credit institutions (gross)	0	0	0	0	2,598,534
Loans and receivables credit institutions less accumulated impairment	0	0	2,595,414	2,595,414	2,598,534
Loans and receivables customers (gross)	0	0	0	0	5,882,432
Accumulated impairment	0	0	0	0	-66,020
Loans and receivables customers less accumulated impairment	0	0	5,791,752	5,791,752	5,816,412
Financial investments (gross)	0	0	0	0	2,673,459
Financial investments less accumulated impairment	2,620,082	895	0	2,620,977	2,673,459
Financial assets total	**2,620,082**	**3,304,715**	**8,387,166**	**14,311,963**	**14,392,224**
Amounts owed to credit institutions	0	0	2,964,106	2,964,106	2,988,163
Amounts owed to customers	0	0	6,599,136	6,599,136	6,531,108
Debts evidenced by certificates	0	0	3,243,599	3,243,599	3,252,536
Lease liabilities	0	0	79,553	79,553	79,553
Subordinated liabilities	0	0	395,552	395,552	401,973
Financial liabilities total	**0**	**0**	**13,281,946**	**13,281,946**	**13,253,333**
31 Dec 2022					
Liquid Funds	0	3,345,392	0	3,345,392	3,345,392
Loans and receivables credit institutions (gross)	0	0	0	0	2,865,897
Loans and receivables credit institutions less accumulated impairment	0	0	2,847,308	2,847,308	2,865,897
Loans and receivables customers (gross)	0	0	0	0	5,542,639
Accumulated impairment	0	0	0	0	-39,823
Loans and receivables customers less accumulated impairment	0	0	5,227,669	5,227,669	5,502,816
Financial investments (gross)	0	0	0	0	2,093,025
Financial investments less accumulated impairment	2,028,225	856	0	2,029,081	2,093,025
Financial assets total	**2,028,225**	**3,346,247**	**8,074,976**	**13,449,449**	**13,807,130**
Amounts owed to credit institutions	0	0	4,045,583	4,045,583	4,058,046
Amounts owed to customers	0	0	6,755,275	6,755,275	6,764,810
Debts evidenced by certificates	0	0	1,666,595	1,666,595	1,655,950
Lease liabilities	0	0	82,248	82,248	82,248
Subordinated liabilities	0	0	373,452	373,452	398,817
Financial liabilities total	**0**	**0**	**12,923,153**	**12,923,153**	**12,959,870**

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 the 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, the interest rates used are those with which corresponding liabilities with similar residual durations could have been assumed 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.

38) Derivatives

Derivative financial instruments

Euro thousand 2023	Up to 3 months	Up to 1 year	Face value Up to 5 years	More than 5 years	Total	Fair Value
Interest related transactions	40,739	563,380	4,372,150	4,310,362	9,286,631	-29,792
Caps & Floors	978	4,074	77,751	99,438	182,240	-871
Interest rate swaps	39,761	559,307	4,294,399	4,210,925	9,104,391	-28,921
Exchange rate related transactions	222,333	187,426	105,558	104,560	619,875	-10,388
Cross currency interest rate swaps	0	155,699	105,558	104,560	365,816	-11,671
FX swaps	222,333	31,727	0	0	254,060	1,283
Forward exchange transactions	0	0	0	0	0	0
Other transactions	5,610	4,897	0	27,172	37,680	-904
Options	5,610	4,897	0	27,172	37,680	-904
Total	**268,682**	**755,703**	**4,477,707**	**4,442,094**	**9,944,187**	**-41,084**
2022						
Interest related transactions	63,834	91,583	3,006,823	3,060,790	6,223,031	-58,205
Caps & Floors	3,319	6,277	62,901	147,944	220,441	-1,565
Interest rate swaps	60,516	85,306	2,943,922	2,912,846	6,002,590	-56,640
Exchange rate related transactions	189,150	198,955	252,906	101,551	742,563	-3,967
Cross currency interest rate swaps	0	100,761	252,906	101,551	455,218	-1,064
FX swaps	189,150	97,163	0	0	286,313	-2,942
Forward exchange transactions	0	1,031	0	0	1,031	39
Other transactions	5,886	2,786	5,208	104,706	118,585	-1,230
Options	5,886	2,786	5,208	104,706	118,585	-1,230
Total	**258,871**	**293,324**	**3,264,937**	**3,267,047**	**7,084,179**	**-63,401**

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

The following table shows the fair value divided into balance sheet items:

Euro thousand **31 Dec 2023**	**Assets**	**Liabilities**	**Total**
Interest related transactions	20,755	23,946	-3,191
Trading portfolio	**20,755**	**23,946**	**-3,191**
Interest related transactions	269,945	296,546	-26,601
Exchange rate related transactions	3,596	13,984	-10,388
Other transactions	49	953	-904
Other assets / liabilities	**273,590**	**311,483**	**-37,893**
Total	**294,345**	**335,429**	**-41,084**
Sum interest related transactions	290,700	320,492	-29,792
Sum exchange rate related transactions	3,596	13,984	-10,388
Sum other transactions	49	953	-904

31 Dec 2022			
Interest related transactions	25,140	29,693	-4,553
Trading portfolio	**25,140**	**29,693**	**-4,553**
Interest related transactions	272,252	325,904	-53,652
Exchange rate related transactions	665	4,632	-3,967
Other transactions	249	1,479	-1,230
Other assets / liabilities	**273,166**	**332,015**	**-58,849**
Total	**298,306**	**361,708**	**-63,401**
Sum interest related transactions	297,392	355,597	-58,205
Sum exchange rate related transactions	665	4,632	-3,967
Sum other transactions	249	1,479	-1,230

39) 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 VBW Goup 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, VBW applies the regulations for the recognition of the fair value hedge of a portfolio against interest rate risks. From the portfolio identified, VBW will define an amount of sight deposits and/or loans and receivables customers as the underlying transaction to be hedged. For sight deposits, VBW 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 -1,054 thousand at VBW in the 2023 financial year (2022 euro -791 thousand), whereas the face value of the hedged items as at 31 December 2023 amounts to a total of euro 6,447,265 thousand (2022 euro 4,254,465 thousand). Ineffectiveness therefore corresponds to only 0.02 % (2022 0.02 %) of the hedge portfolio. The hedging strategy in VBW 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	**Up to**	**Up to**	**Up to**	**More than**	
31 Dec 2023	**3 months**	**1 year**	**5 years**	**5 years**	**Total**
Loans and receivables customers	0	250,000	137,294	559,228	946,522
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	117,347	522,725	641,572
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	**Up to**	**Up to**	**Up to**	**More than**	
31 Dec 2023	**3 months**	**1 year**	**5 years**	**5 years**	**Total**
Loans and receivables customers	0	0	0	4,688	4,688
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	946,522	46,681	5,702	-34,832	520
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 - bonds measured at amortised cost	3,566,350	72,489	126,888	131,237	-315
Interest rate swaps total	**6,451,872**	**196,736**	**232,748**	**8,032**	**-1,054**
31 Dec 2022					
Loans and receivables customers measured at amortised cost	641,572	75,681	17	90,218	81
Financial investments measured at amortised cost	1,423,300	121,493	56,981	292,622	3,045
Amounts owed to customers	20,000	0	117	-146	92
Debts evidenced by certificates - bonds measured at amortised cost	2,173,850	4,510	205,731	-220,717	-3,840
Interest rate swaps total	**4,258,722**	**201,683**	**262,847**	**161,977**	**-622**

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	946,515	0	-41,500	35,353	0
thereof loans and receivables customers hedged with portfolio hedges	942,269	0	-41,246	35,175	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 - bonds measured at amortised cost	0	3,556,107	-71,338	-131,552	2,078
Hedged items of interest rate swaps total	**2,855,438**	**3,576,107**	**-96,046**	**-9,086**	**2,078**
31 Dec 2022					
Loans and receivables customers measured at amortised cost	641,915	0	-76,853	-90,137	0
thereof loans and receivables customers hedged with portfolio hedges	636,932	0	-76,420	-89,651	0
Financial investments measured at amortised cost	1,419,285	0	-71,349	-289,577	0
Amounts owed to customers	0	20,000	-238	238	0
thereof amounts owed to customers hedged with portfolio hedges	0	20,000	-238	238	0
Debts evidenced by certificates - bonds measured at amortised cost	0	2,165,774	-202,890	216,877	5,558
Hedged items of interest rate swaps total	**2,061,200**	**2,185,774**	**-351,329**	**-162,599**	**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 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	Change in fair value (effective hedge)	Net amount transferred to profit or loss
Loans and receivables customers measured at amortised cost	4,688	0	713	226	-209	309	126
Interest rate swaps total	**4,688**	**0**	**713**	**226**	**-209**	**309**	**126**
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	4,688	0
Hedged items of interest rate swaps total	**4,688**	**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

The following table contains information on total hedged items, fair value hedges and cash flow hedges:

Euro thousand 31 Dec 2023	Interest rate risk
Financial assets	2,860,126
Financial liabilities	3,576,107
31 Dec 2022	
Financial assets	2,066,173
Financial liabilities	2,185,774

40) Assets and liabilities denominated in foreign currencies

At the balance sheet date, assets denominated in foreign currencies totalled euro 338,796 thousand (2022: euro 368,080 thousand), whereas liabilities denominated in foreign currencies amounted to euro 70,746 thousand (2022: euro 84,358 thousand).

41) Trust transactions

Euro thousand	31 Dec 2023	31 Dec 2022
Trust assets		
Loans and receivables credit institutions	80,500	72,210
Loans and receivables customers	69,867	70,748
Trust liabilities		
Amounts owed to credit institutions	80,500	72,210
Amounts owed to customers	69,867	70,748

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 AG (OeKB), loans and receivables customers in the amount of euro 51,831 thousand (2022: euro 60,401 thousand) 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 cannot repledge or sell these loans and receivables customers if the Group performs in accordance with the contract.

Loans and receivables customers in the amount of euro 480,668 thousand (2022: euro 430,386 thousand) were provided as collateral for OeNB refinancing of VBW in the 2023 business year.

Within the scope of gilt-edged savings deposits, financial investments in the amount of euro 7,783 thousand (2022: euro 10,328 thousand) are held as securities.

43) Contingent liabilities and credit risks

Euro thousand	31 Dec 2023	31 Dec 2022
Contingent liabilities		
Liabilities arising from guarantees	142,856	186,344
Others (amounts guaranteed)	6,012	6,012
Commitments		
Unutilised loan commitments	3,108,787	2,736,751

Based on the management´s estimation of cash outflow for financial guarantees, a provision was made for off-balance sheet risks in the amount of the probable cash outflow taking account of possible available collaterals. It amounts to euro 6,123 thousand (2022: euro 4,205 thousand).

VBW 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 VBW.

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 VBW) that have existed or were completed within the last twelve months and have a significant impact on the financial situation or profitability of the VBW Group or have recently had such an impact.

The table below presents future cash flows of contingent liabilities classified according to their contractual maturity, for guarantees also according to their expected maturity:

Euro thousand	Loan commitments	Guarantees as contracted	Guarantees expected
31 Dec 2023			
Carrying amount	3,108,787	142,856	0
Undiscounted cash flows	**3,108,787**	**142,856**	**6,123**
Up to 3 months	3,108,787	142,856	612
Up to 1 year	0	0	2,449
Up to 5 years	0	0	3,061
More than 5 years	0	0	0
31 Dec 2022			
Carrying amount	2,736,751	186,344	0
Undiscounted cash flows	**2,736,751**	**186,344**	**4,205**
Up to 3 months	2,736,751	186,344	420
Up to 1 year	0	0	1,682
Up to 5 years	0	0	2,102
More than 5 years	0	0	0

As for loan commitments, the first possible time of utilisation was used for the presentation of the contractual term. Contracted guarantees are reported when full utilisation is possible for the first time, while the column Guarantees expected shows management estimates of the expected utilisation during the different terms.

44) Repurchase transactions and other transferred assets

As at 31 December 2023, VBW as pension provider had no buy-back commitments under genuine repurchase agreements (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 credit institutions	0	0	2,783	0
Loans and receivables customers	0	6,500	0	0
Bonds and other fixed-income securities	0	0	0	0
Amounts owed to credit institutions	0	0	228,324	0
Amounts owed to customers	173	1,287	101	0
Transactions	382	18,400	245,423	0
Administrative expenses	0	-1,416	0	0
Other operating income	12	44	10,637	0
Other operating expenses	0	0	-3	0
31 Dec 2022				
Loans and receivables credit institutions	0	0	3,637	0
Loans and receivables customers	0	26,096	0	0
Bonds and other fixed-income securities	0	0	0	333,177
Amounts owed to credit institutions	0	0	253,863	0
Amounts owed to customers	1,008	11,924	40,929	0
Transactions	1,086	11,477	285,647	0
Administrative expenses	0	-30,896	-15	0
Other operating income	14	189	8,528	0
Other operating expenses	0	0	0	0

Business 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 VBW Group and its related parties are geared to usual market conditions. As in the previous year, the VBW Group 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 shareholder exercised a significant influence on the VBW Group until the retransfer of the shares. Disclosures were limited to securities of the issuer Republic of Austria. 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	114	76
Redemptions	20	17

At the VBW Group, the Managing Board members and the members of the Supervisory Board of the parent company are classified as management members in key positions. The presentation of the remuneration of key personnel is included in note 10). No further contracts were concluded with key personnel.

As at 31 December 2023 loans and receivables credit institutions/customers contained transactions with the Volksbank-Sector amounting to euro 2,459,339 thousand (2022: euro 2,759,136 thousand), and amounts owed to credit institutions/customers included transactions with the Volksbank-Sector amounting to euro 2,210,213 thousand (2022: euro 2,291,902 thousand).

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			
Mortgage 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			
Mortgage 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 covered bonds.

47) Branches

	31 Dec 2023	31 Dec 2022
Branches domestic	**54**	**54**

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 09 April 2024 (“Call Redemption Date”) in full at 100 % of the face value (“Redemption Amount”).

49) Segment reporting

The VBW Group now has two business segments - retail and CO which correspond to strategic business fields. These segments fulfil a variety of tasks and are controlled in varying ways in accordance with the internal management and reporting structure. In this process, a business unit is organised as a profit centre, which means that all results are allocated to the business unit, irrespective of whether these results are generated in the business unit itself or in the parent company.

A report is submitted to the Managment Board and management for each business segment. These reports are based on VBW's and the subsidiaries' separate financial statements. Interest results of the profit centres are calculated according to the principles of the market interest method. Transfer prices for assessments and refinancing between entities within the Group are in line with standard market conditions. Expenses are divided between business segments based on proportional service performance. The cost of Group projects is also allocated to business segments.

Retail

The retail segment comprises the standard banking services provided to private customers, SMEs and commercial clients in terms of investment and financing, advisory and investment services for securities, payment services, brokerage of insurance products, and foreign exchange business.

Services are typically performed through the branches as well as through internet and direct sales. Accordingly, this segment includes the results for the branches and the commercial clients profit centres.

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 management in connection with regulatory requirements through management of the banking book in the areas of liquidity and interest rate risk is another key component of VBW's tasks as top institution and CO.

The syndicate 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.

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.

Segment reporting by business segments

Euro thousand 1-12/2023	Retail	CO	Consolidation	Total
Net interest income	185,669	-1,109	0	184,560
Risk provisions	-30,008	6,482	0	-23,527
Net fee and comission income	68,392	-4,352	115	64,155
Net trading income	179	2,978	0	3,157
Result from financial instruments and investment properties	907	-2,285	0	-1,378
Other operating result	4,317	185,724	-63,746	126,296
General administrative expenses	-143,616	-156,505	63,631	-236,490
Result from companies measured at equity	1,319	-637	0	682
Annual result before taxes	**87,159**	**30,296**	**0**	**117,455**
Income taxes	4,643	11,845	0	16,488
Annual result after taxes	**91,802**	**42,141**	**0**	**133,943**
31 Dec 2023				
Total assets	**6,925,394**	**9,422,817**	**-1,248,397**	**15,099,814**
Loans and receivables customers	5,778,052	38,621	0	5,816,672
Companies measured at equity	33,404	8,746	0	42,150
Amounts owed to customers	5,613,899	940,728	-23,124	6,531,503
Debts evidenced by certificates, including subordinated liabilities	94,474	3,630,161	0	3,724,636

1-12/2022				
Net interest income	113,486	16,943	0	130,429
Risk provisions *	-10,304	-7,278	0	-17,582
Net fee and comission income	65,924	-6,085	75	59,914
Net trading income	276	1,402	0	1,678
Result from financial instruments and investment properties	-1,386	-8,123	0	-9,509
Other operating result *	-12,788	157,569	-55,618	89,164
General administrative expenses *	-125,671	-137,105	55,543	-207,233
Result from companies measured at equity	-206	46	0	-160
Annual result before taxes *	**29,332**	**17,369**	**0**	**46,700**
Income taxes *	7,063	12,959	0	20,022
Annual result after taxes *	**36,395**	**30,327**	**0**	**66,722**
31 Dec 2022				
Total assets	**6,721,831**	**8,813,504**	**-1,075,204**	**14,460,130**
Loans and receivables customers	5,487,294	-3,768	-2,864	5,480,662
Companies measured at equity	31,097	8,759	0	39,856
Amounts owed to customers	5,746,913	1,045,308	-27,649	6,764,572
Debts evidenced by certificates, including subordinated liabilities	94,474	2,027,593	0	2,122,067

* The previous year was restated in accordance with IAS 8.

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, 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-assessment process:

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

Current developments

The consolidated own funds under the CRR are composed of Common Equity Tier 1 (CET1), Additional Tier 1 capital (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 was again subjected to the annual SREP (Supervisory Review and Evaluation Process) within the scope of the Single Supervisory Mechanism (SSM) of the ECB. This resulted in a Pillar 2 Requirement (P2R) of 2.50 % at the consolidated level as at 31 December 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 CET1 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 recommendations 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 recommendations 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 01 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 out its activities subject to the principle that risks will only be accepted to the extent it is required to achieve strategic goals. Applying the risk management principles, the associated risks are comprehensively managed by creating an appropriate organisational structure and corresponding business processes.

Organisation of risk management

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

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

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

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

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

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

Regulatory requirements

The implementation of regulatory requirements at VBW is as follows:

Pillar 1: Minimum own funds requirements

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

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

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

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure 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 www.volksbankwien.at/investoren/offenlegung.

Risk management across the Association

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

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

Risk governance as well as the methods and models are regularly refined and adjusted to the current environment by the Risk Control 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, that both VBW and all affiliated banks are subject to. The ICAAP starts by identifying the material risks of the Association of Volksbanks, followed by the risk quantification and aggregation, determination of risk-bearing capacity, limitation, and concludes with ongoing risk monitoring and the measures derived therefrom. Explanations regarding the ILAAP are presented in item d) Liquidity risk.

The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for the risk-bearing capacity calculation, annually for risk inventory and determination of the risk strategy). All the process steps described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current environment if necessary; they are approved by the Managing Board of the CO. An expansion was started in 2021 based on the integration of ESG (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 risks. The risk inventory results are summarised and analysed for VBW. The findings from the risk inventory process are collected, evaluated for VBW 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 for consistent general conditions and principles for uniform risk management. VBW's local risk strategy essentially builds on the Association's risk strategy and defines regional specifications and local specifics. The risk strategy is reviewed for up-to-dateness and adequacy at least annually and adjusted to the respective current general conditions. It provides the rules for the handling of risks and ensures risk-bearing capacity at all times. The risk strategy is prepared in the course of business planning. Across the Association, the contents of the risk strategy and of business planning are linked up by incorporating the targets of the Risk Appetite Statement in the GI Strategy, Planning and Reporting.

VBW 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.

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 to implement central strategic goals of VBW, specifying the same in operational terms. Moreover, a comprehensive set of additional RAS indicators is considered regularly.

The risk appetite, i.e. the indicators of the RAS, is derived from the business model, the current risk profile, the risk capacity and the earnings expectations resp. the strategic planning process. The limit system broken down by risk subtypes and the RAS provide the framework for the maximum risk that VBW 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 calculation

The risk-bearing capacity calculation 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 aggregate risk is then compared to the existing and previously defined internal capital. Compliance with the limits is monitored and reported quarterly.

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

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

The regulatory Pillar 1 perspective compares the aggregate risk amount calculated in accordance with applicable legal provisions with regulatory own funds. Ensuring regulatory risk-bearing capacity is stipulated under the law and constitutes a minimum requirement. The composition of the regulatory aggregate risk position of VBW corresponds to that of any regionally operating retail bank.

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

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

Stress testing

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

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

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

EU-wide stress tests across risk types are being carried out by the EBA/ECB every two years, with the Association of Volksbanks participating. An EBA/ECB stress test was carried out again in 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 VBW is meant to ensure that all significant risks are fully identified, monitored and promptly and efficiently managed. The reporting framework offers a holistic and detailed presentation of the risks and a specific analysis of the individual risk types.

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

Recovery and resolution planning

As the Association of Volksbanks was classified as a significant institution in Austria, the Association must prepare a recovery & resolution plan and submit the same to the European Central Bank. VBW in its function as the CO of the Association of Volksbanks is responsible for drawing up the Group Recovery & Resolution Plan (GRP) for the Association. No separate recovery & resolution plan is being prepared for VBW and affiliated institutions. The 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 VBW, the responsibilities associated with credit risk are taken care of by the Credit Risk Management divisions and certain subdivisions of 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.
- The 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 loans will basically be concluded together with the CO.

Decision-making process

In all units of VBW that generate credit risk, there is a strict separation of sales and risk management units. All decisions for individual instances are taken strictly observing the dual-control principle; clear processes have been defined for this purpose. 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 conducted according to the differentiated limit categories.

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

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

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

Intensified credit risk management

Within the Association of Volksbanks, and accordingly also within VBW, 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, VBW is put in a position to counteract potential defaults early on. The early identification of customers threatened by default is governed within a uniform early warning system throughout the Association.

Dunning procedure: The dunning procedure applied across the entire Association of Volksbanks and accordingly within VBW is uniform and automatised and based on corresponding predefined processes.

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

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

Problem Loan Management

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

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

- subject to debt enforcement (defaulted customers not eligible for restructuring)

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

Monitoring of industry sectors

In order to enable 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 resp. their results also form the basis of portfolio management.

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

Rating systems

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

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

Credit value at risk

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

Concentrations

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

Counterparty default risk

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

Credit risk mitigation

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

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

Factors influencing the estimate of Expected Credit Losses (ECL) for the purpose of determining impairments

Data at the level of the Association are 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. Data of external origin, such as macroeconomic forecasts of the ECB, equally apply to the entire Association. Hence, uniform methods are basically 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 level (1A to 4E) plus 5 additional levels (5A to 5E) for defaulted customers. To any rating class, the master scale will allocate intervals of probabilities of default (PD) that do not overlap. The PDs of the rating system are modelled as long-term through-the-cycle (TTC) probabilities of default over a period of 12 months. Ratings by external rating agencies are also reproduced on the VB master scale by way of statistical analyses of the historical default rates published by the rating agencies.

Volksbank master scale

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

Lifetime Probability of Default

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

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

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

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

Forward-looking information

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

The ECB's macroeconomic projections are used as an anchor for determining the real economic scenarios. Based on the analysis carried out by economists of the bank's research department and taking into account additional market data, two or more scenarios are defined. In any case, a base case scenario for the future development of the relevant economic variables is defined. The base case scenario represents the most likely outcome and is broadly consistent with the ECB's baseline scenario. The scenario is also reconciled with information used by the bank for other purposes, such as strategic planning and budgeting. Moreover, further possible projected scenarios are defined showing a result of relevant economic variables that deviates from the base case. The number and design of the other scenarios are based on the ECB's specifications.

The prognostic process comprises both the forecast of the development of the relevant economic variables over the course of the next three years and the estimate of probability for each scenario. The bank performs regular (semi-annual) stress tests with shocks to quantify the effects of seriously deteriorated economic conditions and to analyse the necessity of re-calibration of the base case scenario and/or of the other prognostic scenarios.

Consideration of forward-looking information

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

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

Definition of stage transfers and default

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

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

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

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

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

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

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 – corresponds to a rating leval of 2E or better, based on the VB master scale – are classified as Level 1 ("Low Credit Risk Exemption", IFRS 9.5.5.10).

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

Measurement of Expected Credit Loss (ECL)

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

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

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

Performing portfolio

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

The most important model parameters for ECL measurement are:

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

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

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

The EAD is subdivided into secured EAD and unsecured EAD, that depend on the value of the collaterals pledged by the borrower. The starting point for secured EAD calculations are the lending values of the collaterals. These lending values are regularly verified and updated in line with the bank's risk management guidelines. The secured EAD is that part of the EAD that is covered by collaterals (limited to 100 % of the EAD). The unsecured EAD is considered as the rest of the EAD.

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

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

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

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

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

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

Defaulted exposures

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

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

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

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

For defaulted borrowers not treated specially as described above, the statistical model approach is applied. The ECL is determined by multiplying the carrying amount of the financial instrument with LGD. The LGD parameter is estimated using the same historical random sample data that are used for LGDs in the performing portfolio. The 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 ECB/OeNB) are shown in the table below.

Scenario	Period	GDP growth Austria	Spread to Germany (bp AT-DE 10y)	Unemployment Eurozone (change in bp)	GDP Growth Eurozone	Shareprices 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. GDP 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 of Volksbanks increased by some 80 basis points from around 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 macroeconomic 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 3.5 million in allocations to risk provisions in the performing portfolio (2022: euro 9.3 million). In combination (scenario design and scenario weighting), a reversal of approximately euro 10.1 million is taken into account in the 2023 financial statements (2022: allocation of euro 11.6 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 within the Association 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 factor 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 at present. 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 consolidated 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 financial statements of the Group 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 6.9 million was recognised. In the previous year, no post-model adjustments were recognised.

in euro million Customer type	PMA determination	Total exposure	Actual risk provisions as at 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	473.3	1.2	2.7	3.8	0.2
IPRE Property/construction phase (without spec. real estate financing)	Collective Stage 2 Transfer, IPRE-Rating recalibration	116.4	0.3	2.1	2.4	0.0
IPRE Operating phase (without spec. real estate financing)	IPRE-Rating recalibration	253.4	0.4	1.1	1.5	1.1
Private customers with a rating worse than/equal to 3C and variable credit	Private customer rating recalibration	48.2	0.8	1.1	1.9	1.1
Total		**891.3**	**2.7**	**6.9**	**9.6**	**2.4**

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 euro million	in % of risk provision
Risk provisions (Stage 1+2 portfolio including provisions), standard model	16.6	100.0 %
+ In-model adjustment based on the scenario weights	3.5	21.0 %
+ Post-model adjustment	6.9	41.7 %
Risk provisions (Stage 1+2), final	**27.1**	**162.7 %**

2022	in euro million	in % of risk provision
Risk provisions (Stage 1+2 portfolio including provisions), standard model	20.5	100.0 %
+ In-model adjustment based on the scenario weights	9.3	45.4 %
+ Post-model adjustment	0.0	0.0 %
Risk provisions (Stage 1+2), final	**29.8**	**145.4 %**

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 28.9 million was recognised in the consolidated financial statements (2022: net allocation euro 1.6 million). In addition, extraordinary income was recognised from receivables previously written off in the amount of euro 1.4 million (2022: extraordinary income of euro 2.2 million).

Sensitivity analyses of risk provisions

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

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

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

	in euro million	in % of risk provisions
Risk provisions (Stage 1 + 2 portfolio, incl. off-balance-sheet provisions without PMA)	20.1	100.0 %
All receivables transferred to Stage 2	+34.5	171.4 %
All receivables transferred to Stage 1	-10.5	-52.3 %

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

	in euro million	in % of risk provisions
Risk provisions (Stage 1 + 2 portfolio, incl. off-balance-sheet provisions without PMA)	29.8	100.0 %
All receivables transferred to Stage 2	+37.5	125.8 %
All receivables transferred to Stage 1	-11.0	-36.7 %

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

Sensitivities of the NPL portfolio (year 2023):

	in euro million million	in basis points Coverage Ratio
Risk provisions NPL (Stage 3 portfolio)	72.1	33.3 %
Depreciation of collaterals by 15 %	+17.0	7.9 %
Depreciation of collaterals by 25 %	+27.5	12.7 %
All receivables in workout	+8.4	3.9 %

Sensitivities of the NPL portfolio (year 2022):

	in euro million	in basis points Coverage Ratio
Risk provisions NPL (Stage 3 portfolio)	44.0	38.2 %
Depreciation of collaterals by 15 %	+8.0	6.9 %
Depreciation of collaterals by 25 %	+11.1	9.6 %
All receivables in workout	+2.6	2.3 %

Regulatory risk provision – NPL backstop

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

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

Credit risk reporting

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

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

The following analyses are part of the report:

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

In addition to reporting as part of the aggregate bank risk report, a Fast Close Risk Report is prepared at association level on a monthly basis immediately after 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 the financial year 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 securities.

Credit risk-related portfolio

Euro thousand	31 Dec 2023	31 Dec 2022
Liquid funds	3,261,663	3,302,486
Loans and receivables credit institutions	2,598,534	2,865,897
At amortised cost	2,598,534	2,865,897
Loans and receivables customers	5,948,161	5,623,708
At amortised cost	5,882,432	5,542,639
At fair value	65,729	81,069
Assets held for trading - fixed-income securities	3,996	544
At fair value	3,996	544
Financial investments - fixed-income securities	2,694,147	2,111,210
At amortised cost	2,673,459	2,093,025
At fair value	20,688	18,185
Contingent liabilities	142,856	186,344
Credit risks	3,108,787	2,736,751
Total	**17,758,144**	**16,826,941**

As at 31 December 2023, the total credit risk-related portfolio amounted to euro 17,758,144 thousand (2022: euro 16,826,941 thousand). Loans and receivables to customers constitute the biggest group of receivables, which corresponds to the business model of classic lending business with a focus on Private Customers and SME. At VBW, there are no receivables from finance leases.

Loans and receivables credit institutions and liquid funds are primarily used to manage liquidity and include a comparatively low credit risk. Financial investments primarily include securities from the Treasury portfolio that are also preferentially used to manage the liquidity of the entire Association of Volksbanks. The majority of credit risk-related securities are Austrian and European government bonds and covered bonds of European banks in the investment grade range. A securities portfolio with the main objective of generating profits from market trends is not aimed at within the Association of Volksbanks. As liquidity risk is controlled centrally by VBW in its role as CO of the Association of Volksbanks, 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 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 VBW assumes the central liquidity management function within the Association of Volksbanks, an essential customer segment of credit risk-related positions is the public sector. This segment includes the amounts owed by the central bank and the major part of financial investments. As at 31 December 2023, the largest customer segment of the credit risk-relevant items in loans and receivables to customers is the SME segment in the amount of euro 2,801,200 thousand (2022: euro 2,561,183 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 distribution 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	2,598,534	0	0	0	0	0	2,598,534
At amortised cost	2,598,534	0	0	0	0	0	2,598,534
Loans and receivables customers	0	2,086,477	2,801,200	326,264	46,201	688,019	5,948,161
At amortised cost	0	2,043,740	2,786,127	326,226	45,757	680,581	5,882,432
At fair value	0	42,737	15,073	38	443	7,438	65,729
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	1,748,939	0	0	51,840	893,368	0	2,694,147
At amortised cost	1,732,169	0	0	51,840	889,449	0	2,673,459
At fair value	16,770	0	0	0	3,918	0	20,688
Contingent liabilities	460	27,080	110,051	2,828	99	2,337	142,856
Credit risks	2,292,012	249,771	389,499	65,501	17,857	94,146	3,108,787
Total	**6,639,945**	**2,363,329**	**3,300,751**	**450,430**	**4,219,187**	**784,503**	**17,758,144**
31 Dec 2022							
Liquid funds	0	0	0	0	3,302,486	0	3,302,486
Loans and receivables credit institutions	2,865,897	0	0	0	0	0	2,865,897
At amortised cost	2,865,897	0	0	0	0	0	2,865,897
Loans and receivables customers	0	2,164,383	2,561,183	254,156	35,978	608,007	5,623,708
At amortised cost	0	2,110,217	2,543,571	254,075	35,174	599,602	5,542,639
At fair value	0	54,167	17,612	81	805	8,405	81,069
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	1,270,402	0	0	66,739	774,070	0	2,111,210
At amortised cost	1,258,299	0	0	66,739	767,987	0	2,093,025
At fair value	12,102	0	0	0	6,083	0	18,185
Contingent liabilities	451	30,873	148,258	3,633	99	3,031	186,344
Credit risks	1,776,378	266,408	410,402	63,721	117,953	101,889	2,736,751
Total	**5,913,128**	**2,461,664**	**3,119,843**	**388,794**	**4,230,586**	**712,927**	**16,826,941**

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	2,352,078	230,342	16,114	2,598,534
At amortised cost	2,352,078	230,342	16,114	2,598,534
Loans and receivables customers	5,855,804	90,463	1,894	5,948,161
At amortised cost	5,790,075	90,463	1,894	5,882,432
Thereof Retail private	1,978,342	64,848	550	2,043,740
Thereof SME	2,759,168	25,615	1,344	2,786,127
Thereof Corporates	326,226	0	0	326,226
Thereof other	726,339	0	0	726,339
At fair value	65,729	0	0	65,729
Thereof Retail private	42,737	0	0	42,737
Thereof SME	15,073	0	0	15,073
Thereof Corporates	38	0	0	38
Thereof other	7,881	0	0	7,881
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	2,694,147	0	0	2,694,147
At amortised cost	2,673,459	0	0	2,673,459
Thereof Banks	1,732,169	0	0	1,732,169
Thereof Corporates	51,840	0	0	51,840
Thereof Public sector	889,449	0	0	889,449
At fair value	20,688	0	0	20,688
Thereof Banks	16,770	0	0	16,770
Thereof Public sector	3,918	0	0	3,918
Contingent liabilities	142,813	43	0	142,856
Thereof Banks	417	43	0	460
Thereof Retail private	27,080	0	0	27,080
Thereof SME	110,051	0	0	110,051
Thereof Corporates	2,828	0	0	2,828
Thereof other	2,436	0	0	2,436
Credit risks	3,107,995	0	792	3,108,787
Thereof Banks	2,292,012	0	0	2,292,012
Thereof Retail private	249,771	0	0	249,771
Thereof SME	388,707	0	792	389,499
Thereof Corporates	65,501	0	0	65,501
Thereof other	112,004	0	0	112,004
Total	**17,418,495**	**320,849**	**18,800**	**17,758,144**

Euro thousand 31 Dec 2022	EUR	CHF	Others	Total
Liquid funds	3,302,486	0	0	3,302,486
Loans and receivables credit institutions	2,605,415	248,674	11,808	2,865,897
At amortised cost	2,605,415	248,674	11,808	2,865,897
Loans and receivables customers	5,515,158	103,847	4,703	5,623,708
At amortised cost	5,434,089	103,847	4,703	5,542,639
Thereof Retail private	2,032,423	76,296	1,497	2,110,217
Thereof SME	2,512,815	27,550	3,206	2,543,571
Thereof Corporates	254,075	0	0	254,075
Thereof other	634,776	0	0	634,776
At fair value	81,069	0	0	81,069
Thereof Retail private	54,167	0	0	54,167
Thereof SME	17,612	0	0	17,612
Thereof Corporates	81	0	0	81
Thereof other	9,210	0	0	9,210
Assets held for trading - fixed-income securities	544	0	0	544
At fair value	544	0	0	544
Financial investments - fixed-income securities	2,111,210	0	0	2,111,210
At amortised cost	2,093,025	0	0	2,093,025
Thereof Banks	1,258,299	0	0	1,258,299
Thereof Corporates	66,739	0	0	66,739
Thereof Public sector	767,987	0	0	767,987
At fair value	18,185	0	0	18,185
Thereof Banks	12,102	0	0	12,102
Thereof Public sector	6,083	0	0	6,083
Contingent liabilities	186,304	41	0	186,344
Thereof Banks	410	41	0	451
Thereof Retail private	30,873	0	0	30,873
Thereof SME	148,258	0	0	148,258
Thereof Corporates	3,633	0	0	3,633
Thereof other	3,129	0	0	3,129
Credit risks	2,735,875	0	875	2,736,751
Thereof Banks	1,776,378	0	0	1,776,378
Thereof Retail private	266,407	0	0	266,408
Thereof SME	409,527	0	875	410,402
Thereof Corporates	63,721	0	0	63,721
Thereof other	219,842	0	0	219,842
Total	**16,456,993**	**352,562**	**17,387**	**16,826,941**

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 125,810 thousand (2022: euro 154,893 thousand).

Development by countries

The main business activity of the Association of Volksbanks, and thus of VBW, focuses on the Austrian market. This is also evident from the following tables: at 31 December 2023, Austrian exposures accounted for 88.2 % of the credit risk-related portfolio (2022: 90.6 %).

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	2,467,823	51,003	79,708	2,598,534
At amortised cost	2,467,823	51,003	79,708	2,598,534
Loans and receivables customers	5,839,716	71,505	36,941	5,948,161
At amortised cost	5,774,706	71,476	36,249	5,882,432
Thereof Retail private	2,027,043	7,686	9,011	2,043,740
Thereof SME	2,773,751	9,717	2,659	2,786,127
Thereof Corporates	277,703	25,767	22,757	326,226
Thereof other	696,209	28,307	1,823	726,339
At fair value	65,009	28	691	65,729
Thereof Retail private	42,018	28	691	42,737
Thereof SME	15,073	0	0	15,073
Thereof Corporates	38	0	0	38
Thereof other	7,881	0	0	7,881
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	843,449	374,483	1,476,214	2,694,147
At amortised cost	837,592	368,222	1,467,645	2,673,459
Thereof Banks	484,649	241,262	1,006,258	1,732,169
Thereof Corporates	3,939	0	47,901	51,840
Thereof Public sector	349,004	126,960	413,486	889,449
At fair value	5,857	6,261	8,570	20,688
Thereof Banks	4,330	6,261	6,179	16,770
Thereof Public sector	1,527	0	2,391	3,918
Contingent liabilities	142,227	304	325	142,856
Thereof Banks	363	97	0	460
Thereof Retail private	26,680	123	276	27,080
Thereof SME	109,973	30	48	110,051
Thereof Corporates	2,774	54	0	2,828
Thereof other	2,436	0	0	2,436
Credit risks	3,099,773	8,262	751	3,108,787
Thereof Banks	2,292,012	0	0	2,292,012
Thereof Retail private	248,589	436	747	249,771
Thereof SME	386,658	2,837	5	389,499
Thereof Corporates	60,511	4,990	0	65,501
Thereof other	112,004	0	0	112,004
Total	**15,658,648**	**505,558**	**1,593,939**	**17,758,144**

Euro thousand 31 Dec 2022	Austria	Germany	Others	Total
Liquid funds	3,302,486	0	0	3,302,486
Loans and receivables credit institutions	2,763,768	39,765	62,365	2,865,897
At amortised cost	2,763,768	39,765	62,365	2,865,897
Loans and receivables customers	5,526,066	59,490	38,152	5,623,708
At amortised cost	5,446,039	59,454	37,146	5,542,639
Thereof Retail private	2,089,766	8,508	11,943	2,110,217
Thereof SME	2,529,649	9,445	4,478	2,543,571
Thereof Corporates	208,829	27,259	17,988	254,075
Thereof other	617,796	14,242	2,738	634,776
At fair value	80,027	36	1,006	81,069
Thereof Retail private	53,150	36	981	54,167
Thereof SME	17,587	0	25	17,612
Thereof Corporates	81	0	0	81
Thereof other	9,210	0	0	9,210
Assets held for trading - fixed-income securities	544	0	0	544
At fair value	544	0	0	544
Financial investments - fixed-income securities	736,473	241,066	1,133,672	2,111,210
At amortised cost	728,548	236,422	1,128,055	2,093,025
Thereof Banks	393,263	186,311	678,726	1,258,299
Thereof Corporates	3,871	0	62,868	66,739
Thereof Public sector	331,414	50,111	386,462	767,987
At fair value	7,925	4,644	5,616	18,185
Thereof Banks	4,173	4,644	3,286	12,102
Thereof Public sector	3,752	0	2,331	6,083
Contingent liabilities	185,660	309	375	186,344
Thereof Banks	354	97	0	451
Thereof Retail private	30,451	126	296	30,873
Thereof SME	148,145	33	79	148,258
Thereof Corporates	3,580	54	0	3,633
Thereof other	3,129	0	0	3,129
Credit risks	2,735,764	370	617	2,736,751
Thereof Banks	1,776,378	0	0	1,776,378
Thereof Retail private	265,577	241	590	266,408
Thereof SME	410,269	105	27	410,402
Thereof Corporates	63,721	0	0	63,721
Thereof other	219,818	23	0	219,842
Total	**15,250,760**	**340,999**	**1,235,181**	**16,826,941**

Development by sectors[2]

The most important sectors within loans and receivables to customers of VBW are the commercial sector of real estate with 43.0 % (2022: 40.2 %), followed by private households with 35.1 % as at 31 December 2023 (2022: 38.5 %).

As at 31 December 2023, the largest commercial sectors in loans and receivables to customers in the SME segment are the following:

- the real estate sector with a share of 64.51 % (2022: 62.54 %)
- the retail and repair sector with a share of 6.32 % (2022: 6.26 %).

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

- the financial services sector with a share of 31.68 % (2022: 19.09 %).

Portfolio distribution by sectors

Euro thousand 31 Dec 2023	Private households	Financial services incl. banks	Public authorities	Real estate	Construction industry
Liquid funds	0	0	3,261,663	0	0
Loans and receivables credit institutions	0	2,598,534	0	0	0
At amortised cost	0	2,598,534	0	0	0
Loans and receivables customers	2,086,477	140,407	46,201	2,557,174	79,352
At amortised cost	2,043,740	140,384	45,757	2,546,908	78,263
At fair value	42,737	23	443	10,266	1,089
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	1,737,643	893,368	0	0
At amortised cost	0	1,720,873	889,449	0	0
At fair value	0	16,770	3,918	0	0
Contingent liabilities	27,080	49,047	99	13,967	8,538
Credit risks	249,771	2,311,269	17,857	238,487	34,542
Total	**2,363,329**	**6,836,900**	**4,219,187**	**2,811,154**	**122,431**

	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	2,598,534
At amortised cost	0	0	0	0	0	2,598,534
Loans and receivables customers	99,277	194,941	81,591	129,814	532,927	5,948,161
At amortised cost	96,981	193,720	81,322	123,970	531,387	5,882,432
At fair value	2,296	1,221	269	5,844	1,540	65,729
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	63,137	2,694,147
At amortised cost	0	0	0	0	63,137	2,673,459
At fair value	0	0	0	0	0	20,688
Contingent liabilities	5,278	12,223	3,179	1,304	22,141	142,856
Credit risks	16,788	75,921	5,688	24,736	133,728	3,108,787
Total	**121,343**	**283,085**	**90,458**	**155,854**	**754,403**	**17,758,144**

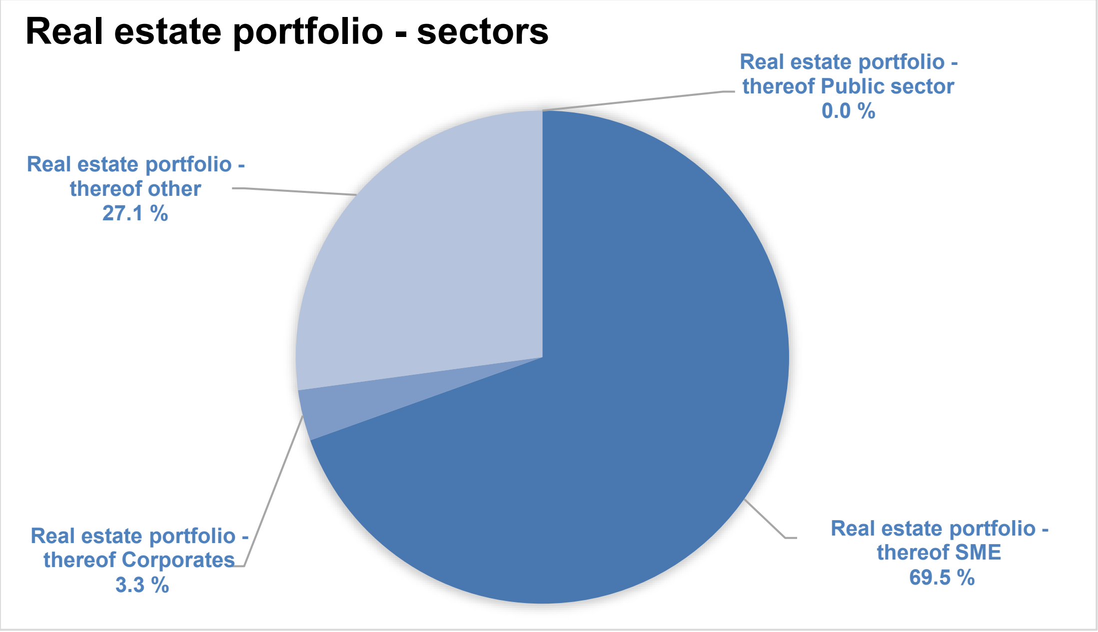
[2] *The definition of the sector is largely aligned with the ÖNACE codes and cannot be compared directly with customer segments, where a different classification logic is applied.*

Euro thousand 31 Dec 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	2,865,897	0	0	0
At amortised cost	0	2,865,897	0	0	0
Loans and receivables customers	2,164,383	89,468	35,978	2,262,018	81,634
At amortised cost	2,110,217	89,439	35,174	2,250,195	80,490
At fair value	54,167	29	805	11,822	1,144
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	1,284,459	774,070	0	0
At amortised cost	0	1,272,356	767,987	0	0
At fair value	0	12,102	6,083	0	0
Contingent liabilities	30,863	67,354	99	19,712	11,222
Credit risks	266,094	1,803,290	117,953	288,207	34,271
Total	**2,461,340**	**6,110,468**	**4,230,586**	**2,570,127**	**127,127**

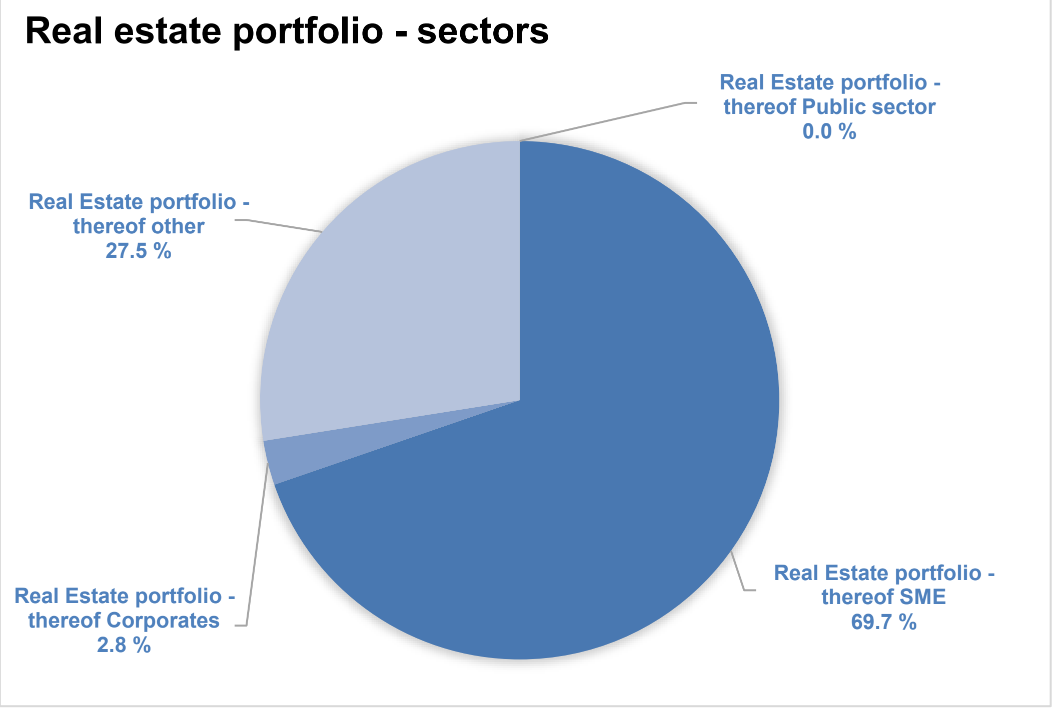
	Tourism	Trade and repairs	Physicians/ healthcare	Food/ agriculture and forestry	Others	Total
Liquid funds	0	0	0	0	0	3,302,486
Loans and receivables credit institutions	0	0	0	0	0	2,865,897
At amortised cost	0	0	0	0	0	2,865,897
Loans and receivables customers	96,891	176,287	73,931	145,586	497,532	5,623,708
At amortised cost	94,356	174,575	73,576	139,035	495,582	5,542,639
At fair value	2,534	1,712	355	6,551	1,950	81,069
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	52,682	2,111,210
At amortised cost	0	0	0	0	52,682	2,093,025
At fair value	0	0	0	0	0	18,185
Contingent liabilities	5,368	14,738	4,748	1,894	30,347	186,344
Credit risks	12,009	77,299	12,529	26,482	98,617	2,736,751
Total	**114,268**	**268,323**	**91,208**	**173,962**	**679,531**	**16,826,941**

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 69.5 % (2022: 69.7 %); at 4.2 % (2022: 0.5 %), the NPL ratio in the real estate portfolio is above the NPL ratio of internal risk control of 3.1 % (2022: 1.7 %), as at 31 December 2023.

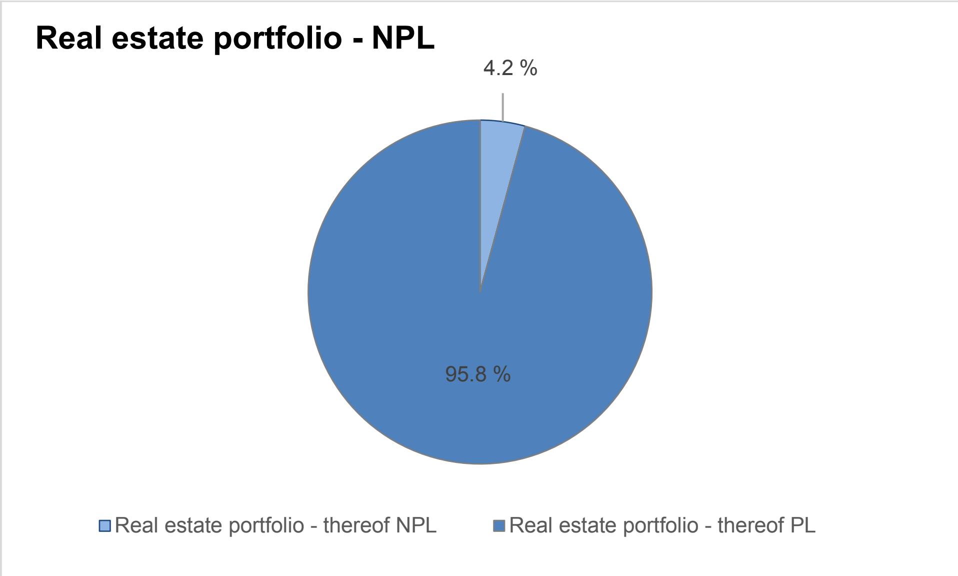
Real estate portfolio – sectors as at 31 December 2023:



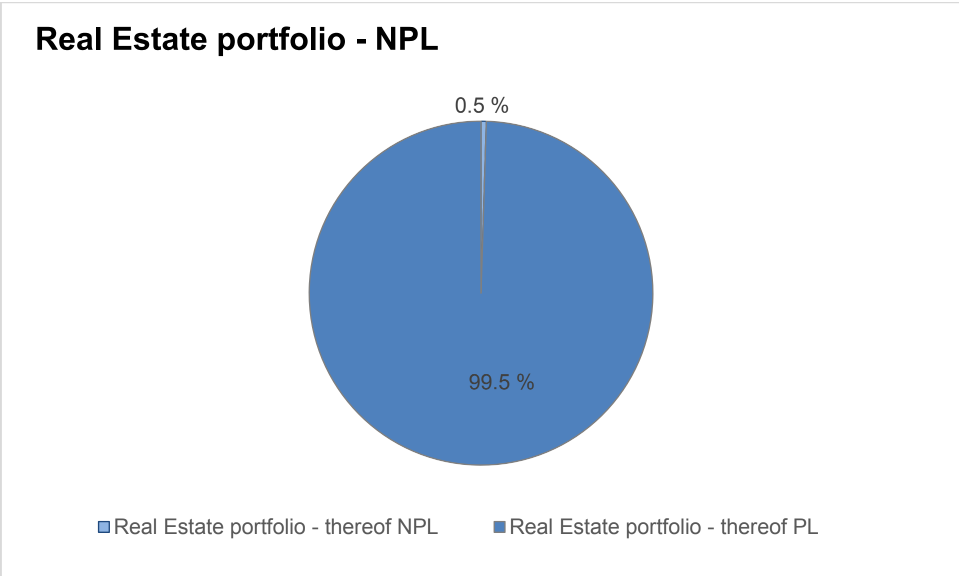
Real estate portfolio – sectors as at 31 December 2022:



Real estate portfolio – NPL ratio as at 31 December 2023:



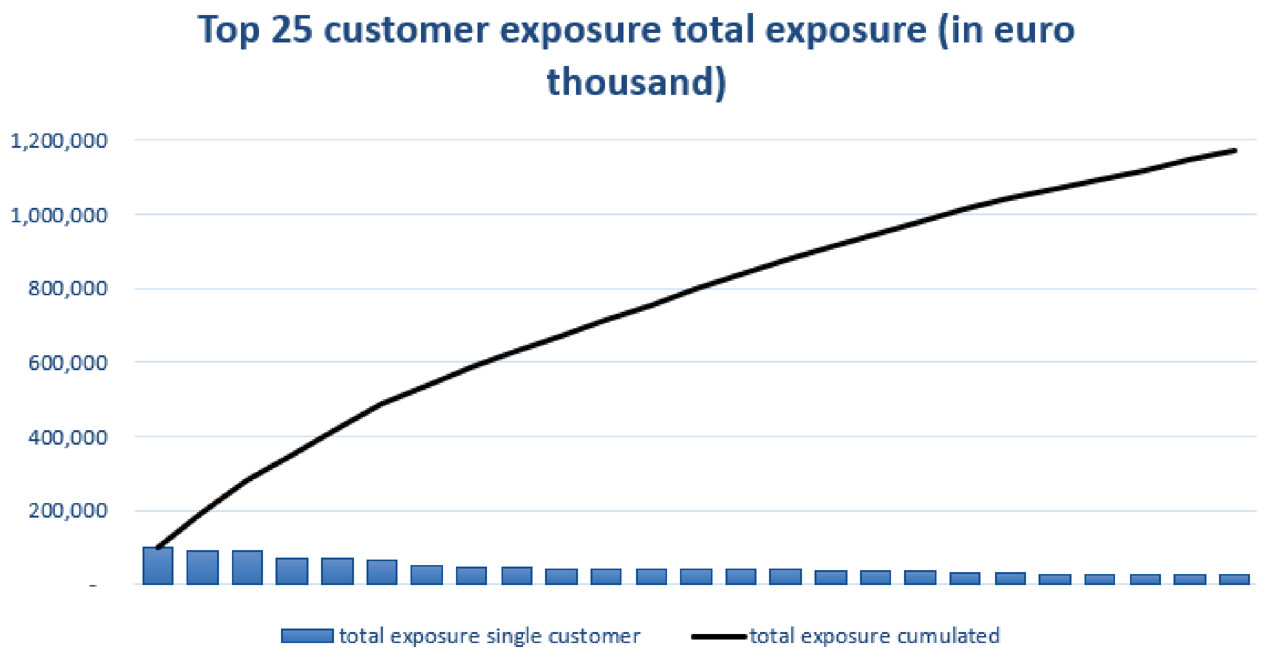
Real estate portfolio – NPL ratio as at 31 December 2022:



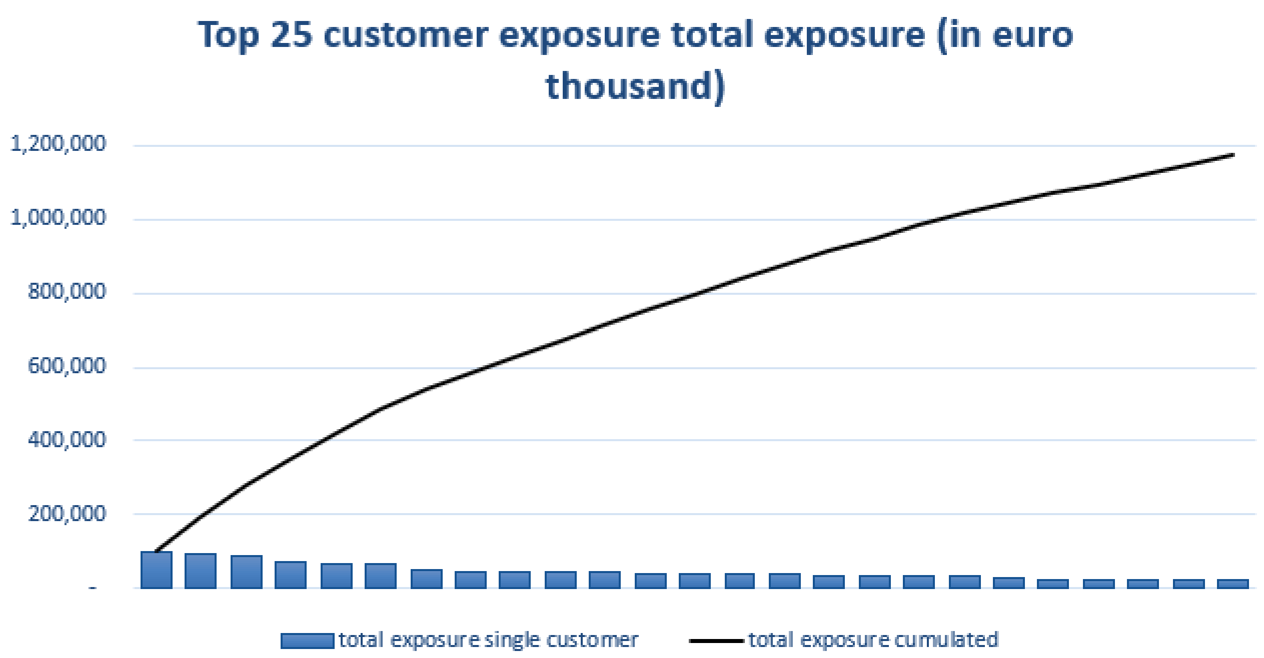
Presentation of the Top 25 exposures

The following chart shows the Top 25 loans and receivables customers of VBW as at 31 December 2023 with the total exposure per individual customer as well as the cumulative total exposure of euro 1,171,838 thousand (2022: euro 1,021,640 thousand), and reflects the business model of VBW with a focus on small-volume private and SME customers. The Top 25 loans and receivables customers correspond to some 17.1 % (2022: 15.5 %) of total loans and receivables customers within VBW (Top no. 1 customer: 1.5 % of total loans and receivables customers). The values are shown in line with the internal risk perspective, meaning loans and receivables customers as well as credit risks and contingent liabilities customers excluding internal transactions within the Association and the portion of the Association's guarantee that is not allocated to VBW.

Top 25 customer exposure total exposure as at 31 December 2023:



Top 25 customer exposure 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	74,401	2,524,082	51	0	0	0	2,598,534
At amortised cost	74,401	2,524,082	51	0	0	0	2,598,534
Thereof Stage 1	74,401	2,524,082	8	0	0	0	2,598,491
Thereof Stage 2	0	0	43	0	0	0	43
Thereof Stage 3	0	0	0	0	0	0	0
Loans and receivables customers	195,922	2,985,788	2,419,430	145,925	200,295	801	5,948,161
At amortised cost	192,218	2,948,405	2,405,847	144,222	190,939	801	5,882,432
Thereof Stage 1	190,944	2,911,562	2,114,272	12,951	0	230	5,229,959
Thereof Stage 2	1,274	36,843	291,575	131,270	0	572	461,534
Thereof Stage 3	0	0	0	0	190,939	0	190,939
At fair value	3,704	37,383	13,583	1,704	9,356	0	65,729
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	1,573,478	1,120,669	0	0	0	0	2,694,147
At amortised cost	1,561,496	1,111,962	0	0	0	0	2,673,459
Thereof Stage 1	1,561,496	1,111,962	0	0	0	0	2,673,459
Thereof Stage 2	0	0	0	0	0	0	0
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	11,982	8,707	0	0	0	0	20,688
Contingent liabilities	13,826	61,290	63,809	1,916	1,968	48	142,856
Thereof Stage 1	12,381	56,547	57,199	233	0	43	126,404
Thereof Stage 2	1,445	4,742	6,610	1,682	0	5	14,484
Thereof Stage 3	0	0	0	0	1,968	0	1,968
Credit risks	128,083	2,683,181	265,389	16,066	14,312	1,757	3,108,787
Thereof Stage 1	123,977	2,669,892	250,936	1,098	0	557	3,046,460
Thereof Stage 2	4,106	13,289	14,453	14,967	0	1,200	48,016
Thereof Stage 3	0	0	0	0	14,312	0	14,312
Total	**5,247,372**	**9,376,484**	**2,751,201**	**163,907**	**216,574**	**2,606**	**17,758,144**

Euro thousand 31 Dec 2022	Risk category 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	2,825,698	46	0	0	0	2,865,897
At amortised cost	40,153	2,825,698	46	0	0	0	2,865,897
Thereof Stage 1	40,153	2,825,698	1	0	0	0	2,865,853
Thereof Stage 2	0	0	44	0	0	0	44
Thereof Stage 3	0	0	0	0	0	0	0
Loans and receivables customers	194,519	2,750,862	2,414,149	154,938	108,436	805	5,623,708
At amortised cost	190,438	2,703,281	2,389,493	152,859	105,763	805	5,542,639
Thereof Stage 1	188,934	2,618,563	2,073,849	5,077	0	232	4,886,654
Thereof Stage 2	1,505	84,718	315,645	147,782	0	573	550,222
Thereof Stage 3	0	0	0	0	105,763	0	105,763
At fair value	4,080	47,581	24,656	2,079	2,674	0	81,069
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	1,251,468	859,742	0	0	0	0	2,111,210
At amortised cost	1,240,312	852,713	0	0	0	0	2,093,025
Thereof Stage 1	1,240,312	852,713	0	0	0	0	2,093,025
Thereof Stage 2	0	0	0	0	0	0	0
Thereof Stage 3	0	0	0	0	0	0	0
At fair value	11,156	7,030	0	0	0	0	18,185
Contingent liabilities	13,436	70,004	97,448	2,536	2,786	134	186,344
Thereof Stage 1	12,300	64,877	84,137	955	0	59	162,328
Thereof Stage 2	1,136	5,128	13,311	1,581	0	75	21,230
Thereof Stage 3	0	0	0	0	2,786	0	2,786
Credit risks	230,985	2,149,623	345,050	5,184	4,141	1,767	2,736,751
Thereof Stage 1	227,835	2,137,357	319,931	617	0	589	2,686,329
Thereof Stage 2	3,150	12,266	25,119	4,567	0	1,178	46,281
Thereof Stage 3	0	0	0	0	4,141	0	4,141
Total	**5,033,048**	**8,656,112**	**2,857,055**	**162,657**	**115,364**	**2,705**	**16,826,941**

Effects from contract amendments

For the year 2023, the effect on the income statement from changes in contracts for financial instruments is euro +572 thousand (2022: euro +261 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 3.1 % for VBW (2022: 1.7 %).

The NPL coverage ratio through risk provisions or Coverage Ratio I for internal reporting amounts to 31.4 % for VBW as at 31 December 2023 (2022: 34.8 %).

The NPL coverage ratio through risk provisions and collateral securities or Coverage Ratio III for internal reporting amounts to 112.4 % for VBW as at 31 December 2023 (2022: 105.2 %).

These ratios under the internal risk perspective exclusively refer to loans and receivables customers as well as credit risks and contingent liabilities towards customers excluding internal transactions within the Association and the portion of the Association's guarantee that is not allocated to VBW. For this reason, these figures are different from the values presented in the following table. The credit risks and contingent liabilities in the table below also include transactions concluded with other Volksbanks. The items substantially increase the NPL denominator, thus reducing, for instance, the NPL ratio significantly (see explanatory notes below); accordingly, this perspective is less relevant for risk control. Moreover, the following table shows the full amounts of the transactions covered by the Association's guarantee. As, however, VBW as the CO of the Association of Volksbanks has passed on parts of the risk under any assumed loan portfolio to other Volksbanks, these parts will not be taken into account within the internal risk perspective for the purpose of steering VBW.

The credit risk volume relevant for calculating the NPL ratio amounted to euro 6,834,406 thousand in internal reporting (2022: euro 6,590,465 thousand). As mentioned already, this amount excludes the pro rata guarantee of the Association as well as the internal transactions of the Association and is accordingly much lower than the euro 9,199,804 thousand shown in the following table as at 31 December 2023 (2022: euro 8,546,803 thousand).

Also the total of NPL, risk provisions and collaterals in the NPL portfolio in internal reporting slightly differs from the values shown in the following table, which is due to the pro rata allocation of defaulted guarantee transactions of the Association to the remaining Volksbanks. There are no internal transactions within the Association.

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	2,598,534	0	0.00 %	0
At amortised cost	2,598,534	0	0.00 %	0
Loans and receivables customers	5,948,161	200,295	3.37 %	66,020
At amortised cost	5,882,432	190,939	3.25 %	66,020
Thereof Retail private	2,043,740	28,301	1.38 %	6,994
Thereof SME	2,786,127	75,878	2.72 %	27,049
Thereof Corporates	326,226	4,795	1.47 %	3,358
Thereof other	726,339	81,966	11.28 %	28,619
At fair value	65,729	9,356	14.23 %	0
Thereof Retail private	42,737	2,209	5.17 %	0
Thereof SME	15,073	624	4.14 %	0
Thereof Corporates	38	0	0.00 %	0
Thereof other	7,881	6,522	82.76 %	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	2,694,147	0	0.00 %	0
At amortised cost	2,673,459	0	0.00 %	0
At fair value	20,688	0	0.00%	0
Contingent liabilities	142,856	1,968	0.00%	512
Credit risks	3,108,787	14,312	0.46 %	5,613
Total	**17,758,144**	**216,574**	**1.22 %**	**72,146**
Loans and receivables customers, contingent liabilities, credit risks	9,199,804	216,574	2.35 %	72,146
Liquid funds, loans and receivables credit institutions and customers	11,808,358	200,295	1.70 %	66,020

	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	32.96 %	167,920	116.80 %
At amortised cost	34.58 %	162,777	119.83 %
Thereof Retail private	24.71 %	22,007	102.48 %
Thereof SME	35.65 %	54,913	108.02 %
Thereof Corporates	70.04 %	2,028	112.35 %
Thereof other	34.92 %	83,829	137.19 %
At fair value	0.00 %	5,142	54.97 %
Thereof Retail private	0.00 %	2,114	95.66 %
Thereof SME	0.00 %	610	97.71 %
Thereof Corporates	0.00 %	0	0.00 %
Thereof other	0.00 %	2,419	37.09 %
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	26.02 %	3,521	204.95 %
Credit risks	39.22 %	0	39.22 %
Total	**33.31 %**	**171,440**	**112.47 %**
Loans and receivables customers, contingent liabilities, credit risks	33.31 %	171,440	112.47 %
Liquid funds, loans and receivables credit institutions and customers	32.96 %	167,920	116.80 %

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	2,865,897	0	0.00 %	0
At amortised cost	2,865,897	0	0.00 %	0
Loans and receivables customers	5,623,708	108,436	1.93 %	39,823
At amortised cost	5,542,639	105,763	1.91 %	39,823
Thereof Retail private	2,110,217	25,848	1.22 %	7,554
Thereof SME	2,543,571	71,806	2.82 %	28,173
Thereof Corporates	254,075	4,049	1.59 %	1,599
Thereof other	634,776	4,060	0.64 %	2,497
At fair value	81,069	2,674	3.30 %	0
Thereof Retail private	54,167	2,167	4.00 %	0
Thereof SME	17,612	507	2.88 %	0
Thereof Corporates	81	0	0.00 %	0
Thereof other	9,210	0	0.00 %	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	2,111,210	0	0.00 %	0
At amortised cost	2,093,025	0	0.00 %	0
At fair value	18,185	0	0.00 %	0
Contingent liabilities	186,344	2,786	1.50 %	1,446
Credit risks	2,736,751	4,141	0.15 %	2,762
Total	**16,826,941**	**115,364**	**0.69 %**	**44,030**
Loans and receivables customers, contingent liabilities, credit risks	8,546,803	115,364	1.35 %	44,030
Liquid funds, loans and receivables credit institutions and customers	11,792,091	108,436	0.92 %	39,823

	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	36.72 %	75,890	106.71 %
At amortised cost	37.65 %	73,301	106.96 %
Thereof Retail private	29.22 %	19,693	105.41 %
Thereof SME	39.23 %	49,494	108.16 %
Thereof Corporates	39.50 %	2,126	92.02 %
Thereof other	61.51 %	1,987	110.45 %
At fair value	0.00 %	2,589	96.82 %
Thereof Retail private	0.00 %	2,079	95.95 %
Thereof SME	0.00 %	510	100.56 %
Thereof Corporates	0.00 %	0	0.00 %
Thereof other	0.00 %	0	0.00 %
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	51.89 %	1,185	94.41 %
Credit risks	66.70 %	0	66.70 %
Total	**38.17 %**	**77,075**	**104.98 %**
Loans and receivables customers, contingent liabilities, credit risks	38.17 %	77,075	104.98 %
Liquid funds, loans and receivables credit institutions and customers	36.72 %	75,890	106.71 %

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

Euro thousand	Total
NPL as at 01 Jan 2022	**113,837**
Classified as impaired during the year	37,062
Transferred to not-impaired during the year	-1,450
Write off - NPL	-29,014
Net repayments and other movements	-5,071
NPL as at 31 Dec 2022	**115,364**
Classified as impaired during the year	136,360
Transferred to not-impaired during the year	-5,369
Write off - NPL	-21,194
Net repayments and other movements	-8,586
NPL as at 31 Dec 2023	**216,574**

Development forbearance portfolio

Forbearance refers to contractual 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 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 115,805 thousand (31 December 2022: euro 196,527 thousand) for financial reasons. This amount relates to performing forborne credit exposures in the amount of euro 51,154 thousand (2022: euro 142,456 thousand) and non-performing forborne credit exposures in the amount of euro 64,651 thousand (2022: euro 54,070 thousand).

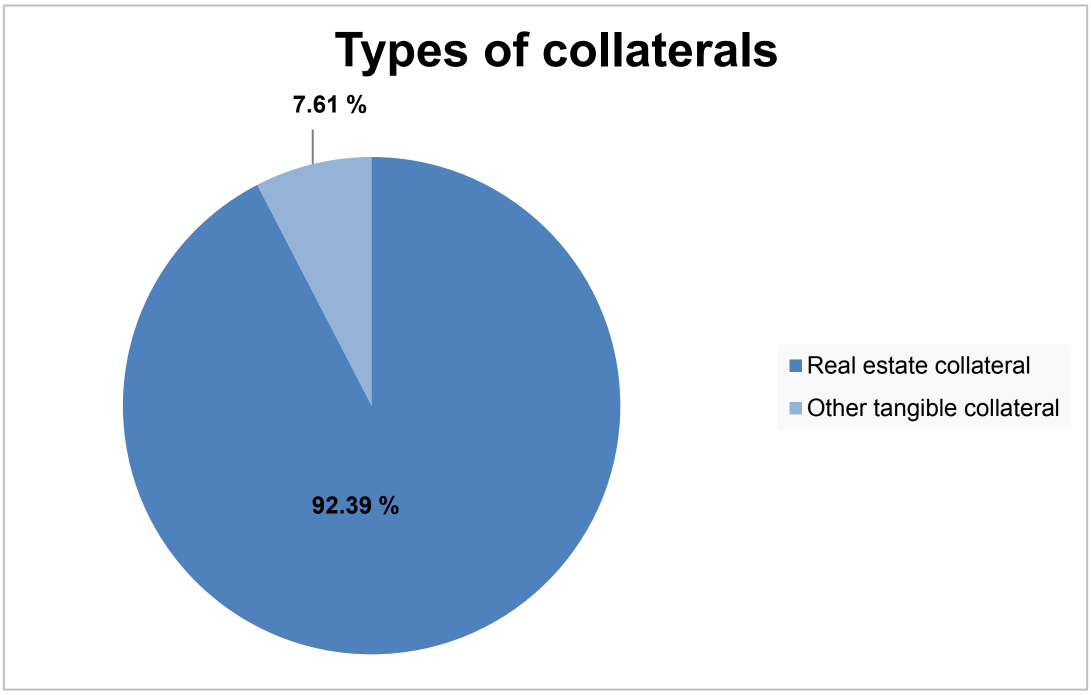
The increase in the forbearance portfolio due to crisis-related facilities granted in the course of the COVID-19 crisis was reduced again in 2023 following the expiry of forbearance flags from 2020 and 2021.

Development of the portfolio of collaterals:

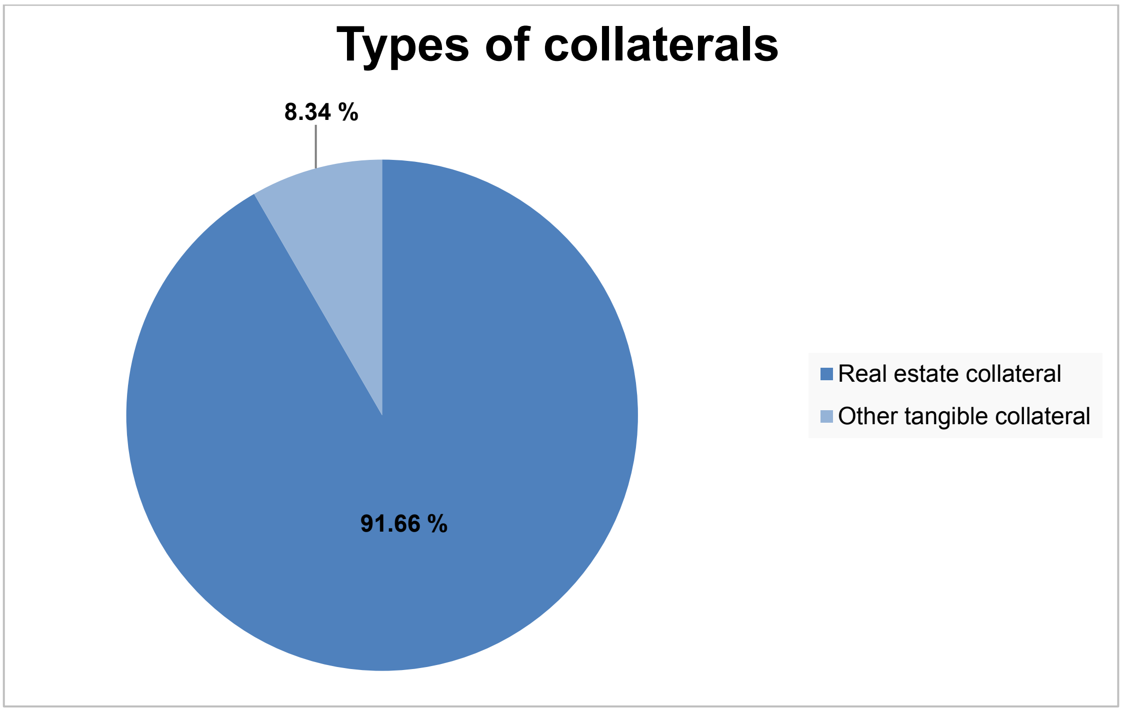
The following diagram and table show the development of the portfolio of collaterals, with real estate collaterals accounting for the major part at VBW. The values reported represent the credited value of the collaterals (after measurement and cap based on the amount of the receivable secured).

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

Types of collaterals as at 31 December 2023:



Types of collaterals as at 31 December 2022:



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	2,598,534	81,277	0	81,277	4,882	0	2,512,376
At amortised cost	2,598,534	81,277	0	81,277	4,882	0	2,512,376
Loans and receivables customers	5,948,161	5,554,455	5,217,124	337,332	90,243	0	303,462
At amortised cost	5,882,432	5,498,466	5,163,965	334,500	90,243	0	293,723
Thereof Retail private	2,043,740	1,979,807	1,907,179	72,628	12,426	0	51,507
Thereof SME	2,786,127	2,608,330	2,402,395	205,935	43,152	0	134,645
Thereof Corporates	326,226	216,542	183,325	33,217	4,232	0	105,452
Thereof other	726,339	693,787	671,067	22,720	30,433	0	2,119
At fair value	65,729	55,990	53,158	2,831	0	0	9,739
Thereof Retail private	42,737	38,571	36,345	2,227	0	0	4,166
Thereof SME	15,073	13,993	13,390	603	0	0	1,080
Thereof Corporates	38	38	38	0	0	0	0
Thereof other	7,881	3,387	3,386	2	0	0	4,493
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	2,694,147	0	0	0	685	0	2,693,462
At amortised cost	2,673,459	0	0	0	685	0	2,672,774
At fair value	20,688	0	0	0	0	0	20,688
Contingent liabilities	142,856	43,899	30,481	13,418	0	2,489	96,468
Credit risks	3,108,787	0	0	0	0	7,063	3,101,724
Total	**17,758,144**	**5,679,631**	**5,247,604**	**432,026**	**95,810**	**9,552**	**11,973,152**

31 Dec 2022							
Liquid funds	3,302,486	0	0	0	0	0	3,302,486
Loans and receivables credit institutions *	2,865,897	64,135	0	64,135	9,402	0	2,792,360
At amortised cost *	2,865,897	64,135	0	64,135	9,402	0	2,792,360
Loans and receivables customers *	5,623,708	5,335,679	4,961,650	374,029	66,649	0	221,381
At amortised cost *	5,542,639	5,263,246	4,892,835	370,410	66,649	0	212,744
Thereof Retail private *	2,110,217	2,041,139	1,946,697	94,442	15,844	0	53,233
Thereof SME	2,543,571	2,456,254	2,247,990	208,264	42,923	0	44,394
Thereof Corporates	254,075	149,501	122,628	26,874	2,137	0	102,437
Thereof other	634,776	616,351	575,521	40,830	5,744	0	12,681
At fair value	81,069	72,433	68,814	3,618	0	0	8,637
Thereof Retail private	54,167	47,669	44,778	2,891	0	0	6,498
Thereof SME	17,612	16,123	15,434	689	0	0	1,489
Thereof Corporates	81	81	80	0	0	0	0
Thereof other	9,210	8,560	8,522	38	0	0	650
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	2,111,210	0	0	0	774	0	2,110,436
At amortised cost	2,093,025	0	0	0	774	0	2,092,251
At fair value	18,185	0	0	0	0	0	18,185
Contingent liabilities *	186,344	50,176	33,703	16,472	0	2,439	133,730
Credit risks *	2,736,751	0	0	0	0	6,166	2,730,584
Total *	**16,826,941**	**5,449,989**	**4,995,353**	**454,636**	**76,825**	**8,605**	**11,291,521**

* The previous year was restated in accordance with IAS 8.

Acquisition of real estate collaterals

In the past, real estate collaterals were only acquired in individual instances within VBW. Currently, this instrument is no longer applied.

Development of the netting positions

The following tables show the netting positions in the portfolio of VBW:

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**

Euro thousand

31 Dec 2022

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

c) Market risk

Market risk is defined as the risk of loss due to adverse developments in market risk factors, e.g. interest rates, credit spreads, foreign exchange rates and volatilities. VBW 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. VBW 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.

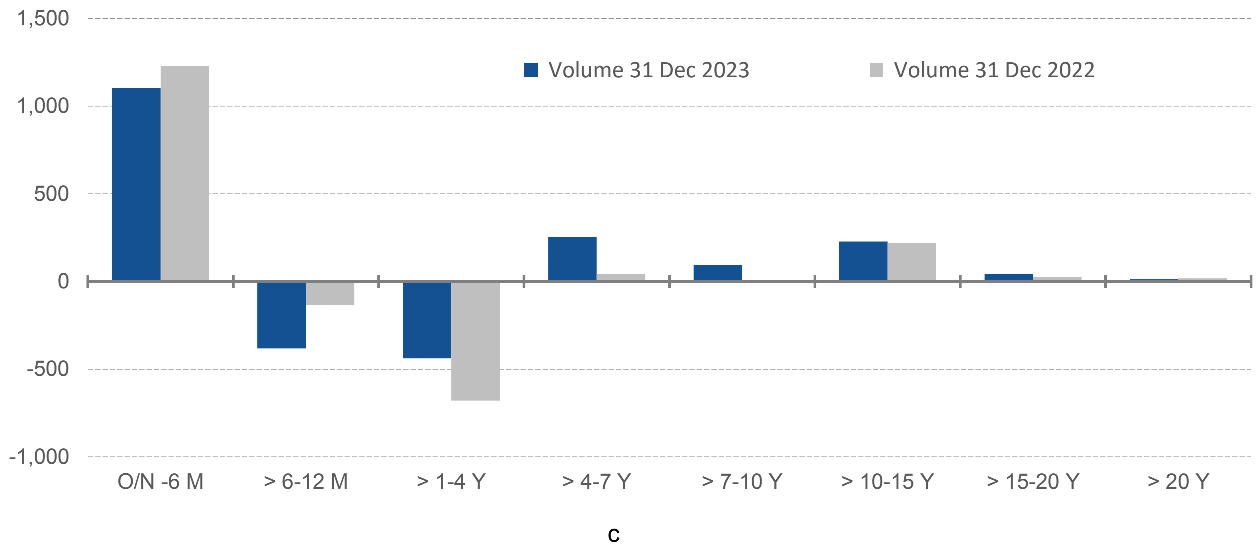
The interest rate risk in the banking book comprises all interest-bearing transactions reported and not reported in the balance sheet (except for transactions in the trading book), as well as interest-sensitive assets and liabilities (participations and provisions). The interest rate risk position associated with the retail business of VBW 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, VBW 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 within VBW assets adjust more quickly to changes in interest rates than liabilities. This is mainly due to the fact that a large proportion of assets continues to be index-linked, and interest rate adjustments for customer deposits are comparatively sluggish. The 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 41 million as at 31 December 2023. A comparable figure for the end of 2022 is not available due to methodological changes in the calculation.

VBW interest rate gap (in euro million)



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.

Credit spread sensitivities of VBW

	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 Volksbanks	-136,133	-638	-346	-137.117
31 Dec 2022				
Section 30a of the Austrian Banking Act - Association of Volksbanks	-111,984	-637	-263	-112.885

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)	2,461,037	1,895,135
Risk category 2 (2A - 2E)	185,244	213,204
Risk category 3 (3A - 3E)	35,057	0
Risk category 4 (4A - 4E)	0	0
Risk category 5 (5A - 5E)	0	0
Risk category 6 (NR)	0	0
Total	**2,681,339**	**2,108,339**

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	1,592,505	14,650	0	1,607,155
Sovereigns Austria	361,891	1,527	0	363,418
Sovereigns Germany	130,504	0	0	130,504
Sovereigns France	100,075	0	0	100,075
Financials EUR AA	91,846	0	0	91,846
Other sovereigns EUR AAA	62,098	2,389	0	64,487
Sovereigns Slovakia	52,879	0	0	52,879
Sovereigns Belgium	47,922	0	0	47,922
Sovereigns Spain	39,279	0	0	39,279
Sovereigns Portugal	35,057	0	0	35,057
Carrying amount < euro 30,000 thousand	146,068	0	2,650	148,717
Total	**2,660,123**	**18,566**	**2,650**	**2,681,339**
31 Dec 2022				
Covered EUR AAA	1,190,495	10,107	0	1,200,601
Sovereigns Austria	356,031	3,752	0	359,783
Sovereigns France	90,789	0	0	90,789
Sovereigns Germany	50,564	0	0	50,564
Other sovereigns EUR AAA	46,729	2,328	0	49,058
Sovereigns Belgium	46,272	0	0	46,272
Sovereigns Slovakia	45,857	0	0	45,857
Sovereigns Portugal	43,149	0	0	43,149
Sovereigns Spain	37,366	0	0	37,366
Corporates EUR BBB	33,895	0	0	33,895
Carrying amount < euro 30,000 thousand	148,426	0	2,579	151,005
Total	**2,089,573**	**16,187**	**2,579**	**2,108,339**

Portfolio structure by IFRS 9 categories

Euro thousand 31 Dec 2023	Bond	Syndicated loan & SSD	Fund & Equity	Total
Amortised cost	2,660,123	0	0	2,660,123
Fair value through OCI	18,566	0	0	18,566
Fair value through profit or loss	2,650	0	0	2,650
Total	**2,681,339**	**0**	**0**	**2,681,339**
31 Dec 2022				
Amortised cost	2,089,573	0	0	2,089,573
Fair value through OCI	16,187	0	0	16,187
Fair value through profit or loss	2,579	0	0	2,579
Total	**2,108,339**	**0**	**0**	**2,108,339**

Market risk in the trading book

The market risk in the trading book of VBW is of subordinate 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 the Treasury and Risk Control divisions and monthly within the ALCO.

The trading book risk within VBW 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 31 Dec 2023	Interest +1 basis point	Interest volatility +1 %	Credit spread +1 basis point
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 at VBW. 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 FX sensitivity for each currency (open FX positions):

Euro thousand Currency	31 Dec 2023	31 Dec 2022
CHF	666	151
USD	-307	13
CZK	-276	17
GBP	-23	23
JPY	-9	-7
Others	779	650
Total	**830**	**848**

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 profit and loss. 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 the 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	-150	-29
31 Dec 2022		
Fair value through profit or loss - loans and receivables	-200	-23

d) Liquidity risk

The most important source of funding of VBW consists of highly diversified 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 of Volksbanks. 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 P&L 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 203 % (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 160 % and 180 %, 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.

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 collateral 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 position
- 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

VBW 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

At VBW, line management is responsible for the management of operational risks (OpRisk Management). It is supported in this function by centrally or decentrally based experts from the spheres 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:

- 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 VBW, 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 conduct risks, compliance risks, legal risks, model risks, as well as IT and system risks, outsourcing risks are taken into account, among others, in the compliance framework, in the framework for operational risks, and in the outsourcing framework.

ESG risks refer to events or conditions affecting the climate, the environment, social affairs or corporate governance, the occurrence of which could have an actual or potential negative impact on the value of assets or on the net assets, financial position and earnings situation, as well as the reputation of the Association of Volksbanks.

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

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
3V-Immobilien Errichtungs-GmbH; Vienna	HD	100.00 %	100.00 %	35
VB Infrastruktur und Immobilien GmbH; Vienna	HD	100.00 %	100.00 %	35
VB Services für Banken Ges.m.b.H.; Vienna	HD	100.00 %	100.00 %	327
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	HD	100.00 %	100.00 %	36

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; Vienna	HO	30.45 %	30.45 %	51,782
Volksbank Kärnten eG; Klagenfurt	KI	26.59 %	26.59 %	32,948

53) Unconsolidated affiliated companies

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
ARZ-Volksbanken Holding GmbH; Vienna	HO	74.54 %	74.54 %	256
UVB-Holding GmbH; Vienna	SO	100.00 %	100.00 %	35
VB ManagementBeratung GmbH; Vienna	SO	100.00 %	100.00 %	36
VBKA-Holding GmbH; Vienna	SO	100.00 %	100.00 %	35

*Abbreviations Type

KI	credit institution
HD	ancillary banking service
SO, HO	other enterprise

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the Consolidated Financial Statements of

VOLKSBANK WIEN AG,
Vienna,

and its subsidiaries ("the Group"), which comprise the 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and the Section 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

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 5,882.4 million in the consolidated statement of financial position. The Managing Board of VOLKSBANK WIEN AG describes the approach to determine loan loss provisions in Notes 3o, 3p and 51b of the Notes to the consolidated financial statements.

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.

AUDITOR'S REPORT

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 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.

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 56.7 million in the consolidated statement of financial position. 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.

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.

Our response

- We assessed the appropriateness of the assumptions made by using externally available data, such as macroeconomic forecasts, and the past results in respect of their planning accuracy. For these procedures, we consulted our valuation specialists.
- Furthermore, we evaluated the assumptions underlying the forecast of future taxable profit on which deferred tax assets are expected to be realised, for traceability and plausibility. For this purpose, we compared the key input parameters for the forecast of future taxable profit with budgets and internally prepared tax calculations.

AUDITOR'S REPORT

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report. We expect the annual report to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements 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 or any apparent material misstatement of fact.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group'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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, which require the audit to be conducted in accordance with ISAs, 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, 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 Group's internal control.

AUDITOR'S REPORT

- 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 Group's ability to continue 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. 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 Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements 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 and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 28 April 2022 and were appointed by the supervisory board on 10 May 2022 to audit the consolidated financial statements of the Company for the financial year ending on 31 December 2023.

On 27 April 2023 we were elected for the year ending on 31 December 2024 and on 2 May 2023 the supervisory board appointed us as auditors.

AUDITOR'S REPORT

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2015.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner
The engagement partner is Mr Walter Reiffenstuhl.

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.

STATEMENT OF ALL LEGAL REPRESENTATIVES

VOLKSBANK WIEN AG
Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

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

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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.

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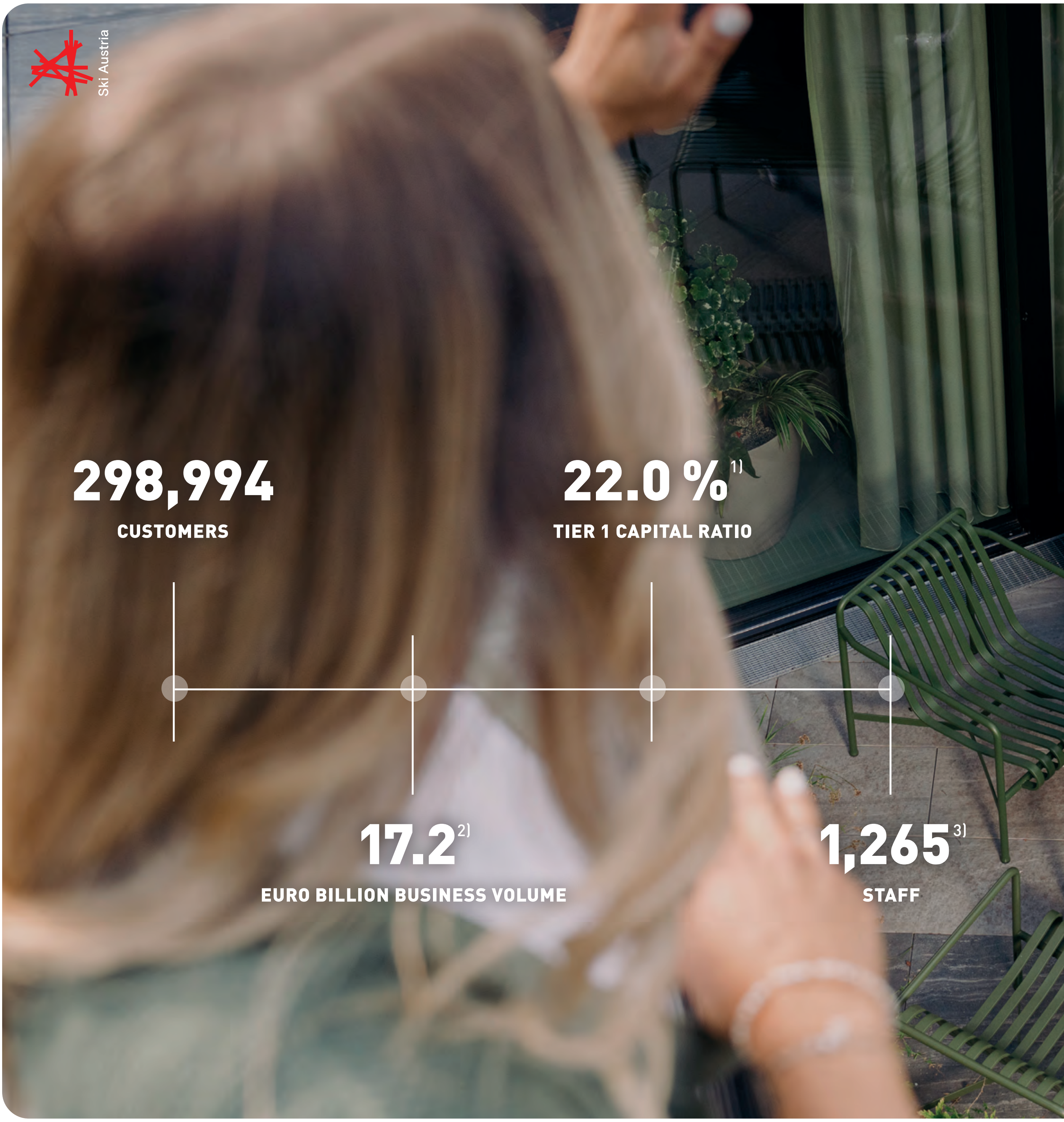
The Association of Volksbanks is committed to diversity and the equality of all genders. For reasons of readability, male, female and diverse word forms are not used simultaneously. All words designating persons refer to all genders in equal measure.



1) In relation to total risk
2) End-of-period figure Austrian Business Code/unconsolidated
3) Staff at end-of-period based on full-time equivalent
As at 31 December 2023, VOLKSBANK WIEN AG including the function as central organisation