VOLKSBANK

HALF-YEAR MANAGEMENT REPORT

ASSOCIATION OF VOLKSBANKS

AS AT 30 JUNE 2020

KEY FIGURES OF THE ASSOCIATION OF VOLKSBANKS

Euro million	30 Jun 2020	31 Dec 2019	31 Dec 2018
Balance sheet			
Total assets	**28,877**	**27,496**	**26,603**
Loans and receivables customers	**21,187**	**21,251**	**20,502**
Amounts owed to customers	**21,423**	**21,729**	**21,555**
Debts evidenced by certificates	**1,466**	**1,482**	**529**
Subordinated liabilities	**591**	**598**	**634**
Own funds according to Basel III for the association of Volksbanks			
Common equity tier 1 capital (CET1)	1,897	1,908	1,800
Additional tier 1 capital (AT1)	220	224	14
Tier 1 capital (T1)	**2,117**	**2,131**	**1,814**
Tier 2 capital (T2)	500	506	523
Own funds	**2,618**	**2,638**	**2,338**
Risk weighted exposure amount - credit risk	13,047	13,450	12,400
Total risk exposure amount market risk	49	85	86
Total risk exposure amount operational risk	1,231	1,231	1,288
Total risk for credit valuation adjustment	53	44	56
Other risk exposure amount	0	0	845
Total risk exposure amount	**14,380**	**14,810**	**14,675**
Common equity tier 1 capital ratio[1)]	**13.2 %**	**12.9 %**	**12.3 %**
Tier 1 capital ratio[1)]	**14.7 %**	**14.4 %**	**12.4 %**
Equity ratio[1)]	**18.2 %**	**17.8 %**	**15.9 %**
Income statement	**1-6/2020**	**1-6/2019**	**1-6/2018**
Net interest income	210.9	210.7	216.8
Risk provision	-48.7	4.3	-4.3
Net fee and commission income	117.4	115.1	116.0
Net trading income	2.2	-1.6	-0.4
Result from financial instruments and investment properties	-16.2	24.6	-8.2
Other operating result	29.9	51.3	12.1
General administrative expenses	-259.9	-275.6	-294.4
Restructuring result	0.0	0.0	-0.2
Result from companies measured at equity	0.1	0.1	1.5
Result for the period before taxes	**35.7**	**128.9**	**38.8**
Income taxes	-5.4	-7.2	1.0
Result for the period after taxes	**30.3**	**121.7**	**39.8**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the group for the period	**30.3**	**121.7**	**39.8**
Key ratios[2)]			
Operating cost-income-ratio	**71.6 %**	**82.6 %**	**88.9 %**
ROE before taxes	**3.2 %**	**12.5 %**	**4.3 %**
ROE after taxes	**2.7 %**	**11.8 %**	**4.4 %**
ROE consolidated net income	**2.7 %**	**11.8 %**	**4.4 %**
Net interest margin	**1.5 %**	**1.6 %**	**1.7 %**
NPL ratio	**2.1 %**	**2.5 %**	**3.1 %**
Leverage ratio	**7.1 %**	**7.6 %**	**6.1 %**
Net stable funding ratio	**137.9 %**	**127.2 %**	**133.4 %**
Loan deposit ratio	**94.7 %**	**95.6 %**	**93.7 %**
Coverage ratio I	**37.0 %**	**37.1 %**	**34.9 %**
Coverage ratio III	**104.1 %**	**103.8 %**	**101.3 %**
Resources	**1-6/2020**	**1-6/2019**	**1-6/2018**
Staff average	**3,412**	**3,672**	**3,977**
Thereof domestic	3,412	3,659	3,936
Thereof abroad	0	13	41
	30 Jun 2020	**31 Dec 2019**	**31 Dec 2018**
Staff at end of period	**3,372**	**3,496**	**3,778**
Thereof domestic	3,372	3,496	3,740
Thereof abroad	0	0	38
Number of sales outlets	**264**	**267**	**304**
Thereof domestic	264	267	303
Thereof abroad	0	0	1
Number of customers	**1,057,826**	**1,072,639**	**1,109,145**

1) Equity ratios are displayed in relation to total risk.
2) The operating cost-income-ratio is the ratio between operating income and operating expenses. Operating income includes net interest income, net fee and commission income, net trading income and if positive other operating result and result from discontinued operation. Operating expenses include general administrative expenses and if negative other operating result and result from discontinued operation. Other operating result and result from discontinued operation is displayed net of other taxes, deconsolidation result and valuation result according to IFRS 5. The ROE before taxes indicates the result before taxes in relation to average equity including non-controlling interest. The ROE after taxes indicates the result after taxes in relation to average equity including non-controlling interest. The ROE consolidated net income indicates the consolidated net income in relation to average equity without non-controlling interest. The net interest margin shows the net interest income in relation to total assets. The NPL ratio indicates the portfolio of non-performing loans in relation to the total exposure of all loans to and receivables from customers. The leverage ratio indicates the business volume (CCF-weighted off-balance positions plus derivatives add-on, replacement value of derivatives, disallowance of derivative claims and financial volume) in relation to the tier 1 capital (CET1 + AT1). The net stable funding ratio indicates the available stable funding in relation to the necessary stable funding. The loan deposit ratio indicates the total amount of loan accounts, overdraft facilities less syndicated loans in relation to the total amount of savings deposits, demand deposits, fixed term deposits and debts evidenced by certificates. The coverage ratio I indicates the coverage ratio of non-performing loans by risk provisions. The coverage ratio III indicates the coverage ratio of non-performing loans by risk provisions and collaterals. Staff figures are calculated based on full-time equivalent.

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In order to improve readability, any role descriptions in this report that are used only in the masculine form apply analogously to the feminine form.
English translation by All Languages Alice Rabl GmbH.

HALF-YEAR MANAGEMENT REPORT FOR THE FIRST HALF OF 2020

Report on the business development and economic situation

Business development

In the second quarter of 2020, the business development within the Association of Volksbanks was influenced significantly by the outbreak of the Covid-19 pandemic. During this highly challenging period, the bank's readiness to serve its customers was ensured at all times, both with respect to personnel and in technical and organisational terms. Customer service was guaranteed on all channels based on quick and flexible solutions. Excellent teamwork between front office, account and credit managers and VB Services enabled the bank to quickly process urgent customer requests regarding deferments and interim financing solutions.

The assessment of any risks resulting from the Covid-19 pandemic was an essential reason for the risk provision of euro -49 million required in the reporting period increasing against the comparative period (euro +4 million) by euro 53 million.

Moreover, at euro -16 million, the result from financial instruments has decreased by euro 41 million against the comparative period (1-6/2019): euro 25 million) due to the violent movements on the financial markets.

Among others, these special Covid-19-related effects caused the semi-annual result of the Association of Volksbanks (euro 30 million) to decrease by euro 92 million compared to the first half of the previous year (30 June 2019: euro 122 million).

The most important capital market transaction in the first half of 2020 was the participation in the TLTRO III programme of the European Central Bank in the amount of euro 1.5 billion. The interest rate of the programme depends on eligible credit growth in the defined period under review.

Economic environment

In the previous year, the Austrian economy lost some of its momentum, but got off to a good start into 2020 with solid growth and low unemployment. During the first quarter, this development was suddenly interrupted by the Covid-19 pandemic and the restrictions of social and economic life required to cope with this crisis. An ever increasing number of states were taking such measures, resulting in gaps in the supply chains already affected by the trade conflict. In Austria, sports facilities, the catering and accommodation sectors, most borders, and also – with only few exceptions – the retail sector were closed for several weeks and subsequently opened again step by step. Some of the hygiene regulations introduced with the lockdown were eased again. At the end of the first half of the year, restrictions and bans on events were still in place. In its World Economic Outlook dated 14 April 2020, under the heading "The Great Lockdown", the International Monetary Fund ranked the current crisis between the Great Depression of the 1930s and the Great Recession of 2009. This was followed by a cascade of downward revisions of GDP expectations by all major forecast institutions. According to Eurostat, the Austrian gross domestic product decreased by 2.4 % Q/Q in the first quarter, and the annual rate, too, dropped to -2.6 % (in the WIFO calculation even to -2.8 % Y/Y).

In the second quarter, the restrictions to contain the pandemic constituted an even greater burden on economic performance. By comparison with the previous period, the GDP shrank by 10.7 %, compared to the previous year by 12.8 % according to a quick WIFO estimate. All demand components, except for public consumption, delivered a negative contribution to growth, with the slump in private consumption being the most pronounced (-15.9 % Y/Y). Investments and exports declined markedly as well, to a similar extent as during the financial crisis of 2008/09. By economic sectors, economic performance was particularly poor in the trade, maintenance and repair of motor vehicles, transport, accommodation and catering sectors; among them, these sectors accounted for approximately half of the GDP slump. Due to their weighting, also the mining, goods manufacturing and utility industries delivered a major negative contribution, counterbalanced to a certain extent by the information and communication sectors, banking and insurance, real estate and housing, as well as public administration. The GDP slump was even more dramatic in the euro zone. After an annual rate of -3.1 % in the first quarter, a decline of real GDP by 15 % was recorded in the second quarter, according to a first Eurostat estimate.

Austrian residential real estate prices, usually delayed in reflecting general economic developments, continued to show a dynamic trend in the first quarter of 2020 as well. Across all regions and types of property, real estate prices increased by 3.4 % in the first three months of the year (according to OeNB data). And again, this increase was more pronounced in Vienna than in the rest of Austria. The hike in prices for single-family homes was striking (10.4 % Y/Y), otherwise it was especially new freehold flats that buyers had to pay higher prices for (5.3 % Y/Y in Vienna, 3.5 % Y/Y in the rest of Austria). At the copy deadline on 31 July 2020, no data were available yet for the second quarter.

Company shutdowns and a lack of demand were promptly reflected on the labour market; in June the unemployment rate was still higher by 56.8 % than in the same period of the previous year. In May, according to an international calculation method (Eurostat definition), the unemployment rate was 5.4 %, thus higher by 0.9 percentage points than in May 2019. But the increase would have been even higher, if the reduced hours model, after adjustment to the new situation, had not prevented mass lay-offs. According to data provided by the Federal Ministry of Labour, Family and Youth, in the week starting on 18 May 2020 some 1.868 million people were unemployed, in training or working reduced hours, with the major part (1.33 million) being accounted for by short-time work projects. In the following weeks, this figure noticeably decreased again – to approximately 0.845 million in the week starting on 6 July 2020. As regards the federal states, a marked West-East gradient was visible at the beginning of the crisis; Tyrol and Salzburg, in particular, were hit by a huge increase in unemployment.

The efforts of the European Central Bank to raise the level of inflation in Europe have failed due to the pandemic. In the common currency zone, harmonised consumer prices developed far less dynamically than in the months preceding the crisis; in May 2020, the inflation rate reached its interim bottom of 0.1 % Y/Y. In Austria, too, the upsurge in prices was moderate, but the rate was consistently above that of the euro zone. In May it rose to 0.6 % Y/Y, in June, however, at 1.1 % Y/Y it was again higher than in October or November 2019.

To counter a potential credit crunch and to avoid any major deviations of the yields of European government bonds, the European Central Bank has taken several monetary easing measures since March 2020. While the key interest rate was left unchanged on its low level of September 2019 (main refinancing rate 0.0 %, prime refinancing facility 0.25 %, deposit rate -0.5 %), bond purchases were extended on a grand scale. In March, banks were offered a bridging structure until the next regular TLTRO III tender, the bond purchases planned for 2020 (Asset Purchasing Programme, APP) were stepped up by euro 120 billion, net purchases of euro 20 billion a month had been scheduled already before that. Moreover, another securities purchasing programme – the Pandemic Emergency Purchase Programme – was issued, initially in the amount of euro 750 billion. In June this programme was increased to euro 1,350 billion. Late in April, the ECB also decided to ease the conditions for TLTRO III loans. Moreover, new refinancing facilities were issued that are not tied to the lending targets (non-targeted pandemic emergency longer-term refinancing operations, PELTRO).

The three-month Euribor presented itself highly volatile in March and April 2020, reaching its lowest value on 12 March (-0.49 %) and its highest value on 23 April (-0.16 %). The money market interest rate has continuously trended downward ever since. In Austria, yields in the 10-year maturity range have shown a similar trend, ranging between -0.45 % and 0.31 %. In Germany, the yields of 10-year government bonds ranged between -0.84 % and -0.17 %.

After the second longest EU summit in history, the 27 member states agreed on a stimulus package in July 2020, which still requires some mending upon request by the EU Parliament. The package comprises euro 1.8 trillion, of which 1.074 trillion are credited to the Multiannual Financial Framework (MFF). Euro 750 billion are reserved for the reconstruction fund; the Commission is going to issue bonds to finance the same. Another euro 390 billion of the package are meant to be distributed by way of the heavily contested non-repayable grants, the rest through emergency loans. The new euro bonds are expected to transform the market for safe bonds, as they might constitute a possible alternative, for instance, to the German benchmark bond. The package may still change due to resolutions passed by the European Parliament.

Result of the Association for the first half of 2020

The net interest income for the first half of 2020 amounts to euro 211 million, hence remaining unchanged against the comparative period (1-6/2019: euro 211 million).

The net fee and commission income in the reporting period amounts to euro 117 million, a slight increase by euro 2 million compared to the previous period (1-6/2019: euro 115 million). The increase by euro 5 million is essentially due to higher fee and commission income from securities business, as well as net fee and commission income in lending business having increased by euro 1 million. This is opposed by income from service business decreasing by euro 2 million, and a reduction in checking account business and payment transactions by euro 2 million.

Net trading income in the first half of 2020 amounts to euro 2 million, an increase by euro 4 million as compared to the previous period (euro -2 million). The increase is due to measurement results of trading book derivatives that are used for hedging banking book items.

The result from other derivative financial instruments decreased by euro 25 million, impairments and reversals of impairments by euro 12 million, and realised gains from carrying amount disposals by euro 5 milliion.

The other operating result for the first half of 2020 amounts to euro 30 million (1-6/2019: euro 51 million). This item shows the proceeds from the sale of the former head office in 1090 Vienna, Kolingasse, in the amount of euro 32 million. In the previous year, the proceeds from the sale of VB Liechtenstein in the amount of euro 44 million were included in this item.

General administrative expenses of euro 260 million (1-6/2019: euro 276 million) are lower by euro 16 million compared to the previous year. By comparison with the end of 2019, the headcount decreased by 124 employees from a staff of 3,496, and now amounts to 3,372 employees. This decrease coincided with a reduction of staff costs by euro 8 million from euro 160 million in the comparative period to euro 152 million in the reporting period. In the sphere of administrative expenses, costs were further reduced in almost all areas. Apart from the reduction of administrative expenses for business premises in the amount of euro 2 million, substantial decreases were achieved among others in legal, auditing and consultancy expenses by euro 5 million, and in IT expenses by euro 1 million.

Financial position

As at 30 June 2020, total assets amount to euro 28.9 billion, an increase compared to the end of 2019 (euro 27.5 billion), essentially due to the increase in liquid funds (investment TLTRO III), by euro 1.3 billion.

Compared to the end of the previous period (euro 0.5 billion), loans and receivables to credit institutions in the amount of euro 0.5 billion have remained stable.

As at 30 June 2020, loans and receivables to customers, less risk provisions, amount to euro 21.2 billion and have almost remained unchanged compared to the end of the previous year (euro 21.3 billion).

Financial investments of euro 2.7 billion have increased compared to the previous year (euro 2.6 billion), mainly because of investments measured at amortised cost.

Amounts owed to credit institutions of euro 2.0 billion have increased by euro 1.5 billion compared to the end of 2019 (euro 0.5 billion), due to participation in the TLTRO III programme of the European Central Bank.

Amounts owed to customers in the amount of euro 21.4 billion have decreased by euro 0.3 billion compared to the end of 2019 (euro 21.7 billion). The decrease results from lower savings and other deposits.

As at 30 June 2020, debts evidenced by certificates amount to euro 1.5 billion and have almost remained unchanged compared to 31 December 2019 (euro 1.5 billion).

In the reporting period, the equity positions (including company shares and non-controlling shares) increased by euro 19 million and amount to euro 2.3 billion as at 30 June 2020.

Financial performance indicators

As at 30 June 2020, the regulatory own funds of the Association's group of credit institutions amount to euro 2.6 billion (31 December 2019: euro 2.6 billion). As at 30 June 2020, the total risk amount was euro 14.3 billion (31 December 2019: euro 14.8 billion). The CET 1 capital ratio in relation to total risk amounts to 13.2 % (31 December 2019: 12.9 %), the equity ratio in relation to total risk is 18.2 % (31 December 2019: 17.8 %). Regulatory own funds, total risk amount and the key indicators calculated therefrom were determined in accordance with the CRR (EU Regulation No. 575/2013). For more detailed information, please refer to the Notes.

Performance indicators	1-6/2020	1-6/2019	1-6/2018
Return on Equity before taxes	3.2 %	12.8 %	4.4 %
Return on Equity after taxes	2.7 %	12.1 %	4.5 %
Cost-income ratio	71.6 %	82.6 %	88.9 %

The ROE before taxes is determined as the quotient of result before taxes projected over a period of one year 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 projected over a period of one year and the mean value of equity at the balance sheet date and the balance sheet date of the previous year.

The operational cost-income ratio is calculated from operating income in relation to operating expenses. The operating income consists of net interest income, net fee and commission income, net trading income, as well as the other operating result, and result of a disposal group, if positive. Operating expenses include the general administrative expenses, as well as the other operating result, and result of a disposal group, if negative. The other operating result and the result of a disposal group are adjusted for other taxes, deconsolidation result and IFRS 5 measurement.

The performance indicators shown are considered as customary within the industry and are essential factors for the credit rating of banks. Additionally, within the Association, the cost-income ratio was defined as early warning indicator for the Bankensanierungs- und Abwicklungsgesetz (BaSAG, Act on the Reorganisation and Liquidation of Banks).

Related party transactions

For details on transactions with related parties, please refer to the information contained in the Notes.

Report on the company's future development and risks

Future development of the company

Economic environment

In its economic forecast published in June 2020, the WIFO assumes only a brief period of recession of the Austrian economy, which, however, is expected to be all the more serious. The severity of the recession is due to the fact that both the supply and the demand side were badly affected by the crisis. Overall, the WIFO expects a GDP slump of 7 %, provided that we are already past the nadir and that recovery is quick. The recovery process is delayed by the asynchronous revival of the world economy. In 2021, the research institute expects a growth rate of 4.3 % in Austria, with the pre-pandemic level being likely to remain out of reach in 2021 as well. The Purchasing Managers' Index of IHS Markit/Bank Austria indicates some (slight) growth again for the Austrian industrial sector in July. According to the WIFO, the unemployment rate is going to increase to 5.5 % in 2020 (Eurostat method), hardly decreasing in 2021 (5.2 %). The detailed organisation of the short-time work model in the second half of the year and thereafter has not been taken into account in the model. In July, an extension of the programme by another six months until (and including) Q1 2021 was prepared. The short-time work model and the many interim financing instruments that are made available to companies by the Austrian government and the banks are expected to support the gradual restoration of economic activity in Austria over the next months. Inflation is likely to remain low in 2020 and amount to 0.6 % overall; in 2021, analysts expect the upsurge in prices to slightly accelerate again.

According to the macro-economic forecasts published by the ECB in June 2020, and to the OeNB forecast for Austria, the decline in GDP might even be somewhat more pronounced in 2020; the Central Bank expects the euro zone as a whole to shrink by 8.7 %. Considering the marked slump, the expected upturn in the two subsequent years is moderate (5.2 % and 3.3 %, respectively). In the current year, the inflation rate is estimated to be low at 0.3 %.

Due to the low inflation outlook, no key interest rate hikes are expected on the forecast horizon. Another extension of the bond purchasing programme is more likely; according to Christine Lagarde, the current volume of the PEPP would quite certainly be exhausted. The high level of borrowing of most European governments might counter the monetary easing policy and stabilise yields.

The list of this year's uncertainties is long, those of the previous year remain unclear. Apart from the rapid spreading of the virus above all in the USA, in South America and the UK, which darken the outlook for the global economy, the (trade) conflict between the USA and China is threatening to escalate even further. Internal political conflicts in the USA add to this situation, threatening to destabilise this consumption-centred country. A serious increase in poverty is expected on a global scale, which is going to be aggravated by both the pandemic and climate change. In Europe, a big risk factor has been eliminated by the EU states agreeing on the stimulus package; however, in the medium term the high level of borrowing is also associated with certain risks, and a trade agreement with Great Britain after the country's exit from the EU internal market is still out of sight.

Future development of the Association

The focus of the Association of Volksbanks on retail banking is meant to be continued, supported, in particular, by increasing digitisation of the sales process. In the course of medium-term planning, the Association of Volksbanks has set itself a number of strategic goals, the accomplishment, observance and/or undercutting/exceeding of which will be a management focus in the years to come. Among others, this includes improving the cost-income ratio, a core capital ratio (CET 1) of at least 12 %, a total capital ratio of at least 16 %, an NPL (non-performing loan) ratio of no more than 3 %, as well as a return on equity after taxes (RoE) of 8 %.

In spite of persistently high investments in the systems, higher costs of improving data quality, in spite of the still high regulatory cost, as well as increasing risk provisions due to the effects of the Covid-19 crisis on the customer portfolio, the Association of Volksbanks intends to achieve a positive annual surplus before changes in reserves for the 2020 business year.

The low interest rate environment expected to continue in subsequent years, as well as expectations regarding higher risk costs and lower demand for loans due to the Covid-19 crisis, as well as the anticipated burden from deposit protection cases continue to call for a streamlining of the cost structure and an increase of productivity. For this purpose, additional synergies are being evaluated within the Association of Volksbanks, among others.

Significant risks and uncertainties

As regards the legally required disclosures on the use of financial instruments, the risk management targets and methods as well as the risk of price changes, default, liquidity and cash flow risks, please refer to the information contained in the Notes to the 2019 annual report of the Association.

FINANCIAL STATEMENTS

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Condensed statement of comprehensive income

INCOME STATEMENT	1-6/2020 Euro thousand	1-6/2019 Euro thousand	Changes Euro thousand	 %
Interest and similar income	254,337	263,683	-9,346	-3.54 %
thereof using the effective interest method	246,008	252,554	-6,546	-2.59 %
Interest and similar expenses	-43,444	-53,015	9,572	-18.05 %
Net interest income	210,893	210,667	226	0.11 %
Risk provision	-48,744	4,266	-53,010	< -200.00 %
Fee and commission income	131,874	130,316	1,558	1.20 %
Fee and commission expenses	-14,487	-15,261	775	-5.08 %
Net fee and commission income	117,387	115,054	2,332	2.03 %
Net trading income	2,227	-1,571	3,798	< -200.00 %
Result from financial instruments and investment properties	-16,207	24,572	-40,779	-165.96 %
Other operating result	29,893	51,342	-21,449	-41.78 %
General administrative expenses	-259,853	-275,552	15,699	-5.70 %
Result from companies measured at equity	143	135	8	5.64 %
Result for the period before taxes	**35,740**	**128,914**	**-93,174**	**-72.28 %**
Income taxes	-5,409	-7,194	1,785	-24.81 %
Result for the period after taxes	**30,331**	**121,720**	**-91,389**	**-75.08 %**
Result attributable to shareholders of the parent company (Consolidated net result)	**30,325**	**121,715**	**-91,390**	**-75.09 %**
thereof from continued operation	30,325	121,715	-91,390	-75.09 %
Result attributable to non-controlling interest	6	5	1	17.81 %
thereof from continued operation	6	5	1	17.81 %

Other comprehensive income	1-6/2020 Euro thousand	1-6/2019 Euro thousand	Changes Euro thousand	 %
Result for the period after taxes	**30,331**	**121,720**	**-91,389**	**-75.08 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value reserve - equity instruments (including deferred taxes)	-1,964	17,039	-19,004	-111.53 %
Revaluation of own credit risk (including deferred taxes)	-13	490	-503	-102.68 %
Total items that will not be reclassified to profit or loss	-1,978	17,529	-19,507	-111.28 %
Items that may be reclassified to profit or loss				
Currency reserve	0	-12,498	12,498	-100.00 %
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	175	71	104	147.85 %
Net amount transferred to profit or loss	-9	1	-9	< -200.00 %
Change from companies measured at equity	-1,128	602	-1,730	< -200.00 %
Total items that may be reclassified to profit or loss	**-958**	**-11,825**	**10,867**	**-91.90 %**
Other comprehensive income total	**-2,936**	**5,704**	**-8,640**	**-151.47 %**
Comprehensive income	**27,395**	**127,424**	**-100,029**	**-78.50 %**
Comprehensive income attributable to shareholders of the parent company	**27,389**	**127,419**	**-100,030**	**-78.50 %**
Comprehensive income attributable to non-controlling interest	6	5	1	17.81 %

Condensed statement of financial position as at 30 June 2020

	30 Jun 2020	31 Dec 2019	Changes	
	Euro thousand	Euro thousand	Euro thousand	%
ASSETS				
Liquid funds	3,409,916	2,071,712	1,338,204	64.59 %
Loans and receivables credit institutions	449,578	431,109	18,469	4.28 %
Loans and receivables customers	21,186,695	21,250,646	-63,952	-0.30 %
Assets held for trading	58,246	56,044	2,202	3.93 %
Financial investments	2,719,639	2,578,976	140,664	5.45 %
Investment property	46,650	47,533	-883	-1.86 %
Companies measured at equity	91,248	92,234	-985	-1.07 %
Participations	127,648	130,479	-2,831	-2.17 %
Intangible assets	2,978	3,377	-399	-11.81 %
Tangible assets	470,261	481,864	-11,604	-2.41 %
Tax assets	133,962	130,018	3,944	3.03 %
Current taxes	6,782	10,239	-3,457	-33.76 %
Deferred taxes	127,180	119,779	7,401	6.18 %
Other assets	176,142	168,127	8,015	4.77 %
Assets held for sale	4,162	53,554	-49,392	-92.23 %
TOTAL ASSETS	**28,877,125**	**27,495,673**	**1,381,453**	**5.02 %**
LIABILITIES				
Amounts owed to credit institutions	2,013,803	412,189	1,601,614	> 200.00 %
Amounts owed to customers	21,423,048	21,729,089	-306,040	-1.41 %
Debts evidenced by certificates	1,466,320	1,481,917	-15,598	-1.05 %
Lease liabillities	181,180	183,300	-2,120	-1.16 %
Liabilities held for trading	82,473	76,868	5,604	7.29 %
Provisions	255,210	256,136	-926	-0.36 %
Tax liabilities	18,236	21,329	-3,093	-14.50 %
Current taxes	14,015	17,486	-3,471	-19.85 %
Deferred taxes	4,221	3,843	378	9.84 %
Other liabilities	579,008	487,948	91,060	18.66 %
Subordinated liabilities	590,646	597,542	-6,897	-1.15 %
Total nominal value cooperative capital shares	3,721	4,547	-826	-18.17 %
Subscribed capital	288,379	286,725	1,654	0.58 %
Additional tier 1 capital	217,722	221,292	-3,570	-1.61 %
Reserves	1,755,260	1,734,644	20,617	1.19 %
Non-controlling interest	2,119	2,146	-27	-1.25 %
TOTAL LIABILITIES	**28,877,125**	**27,495,673**	**1,381,453**	**5.02 %**

Condensed changes in equity and cooperative capital shares

Euro thousand	Subscribed capital [1]	Additional tier 1 capital [3]	Reserves	Shareholders' equity	Non-controlling interest	Equity	Cooperative capital share [2]	Equity and cooperative capital shares
Stand 1. Jänner 2019	**299,844**		**1,588,086**	**1,887,930**	**2,164**	**1,890,094**	**4,249**	**1,894,343**
Consolidated net income			121,715	121,715	5	121,720		121,720
Currency reserve			-12,498	-12,498		-12,498		-12,498
Fair value reserve - equity instruments (including deferred taxes)			17,039	17,039		17,039		17,039
Fair value reserve - debt instruments (including deferred taxes)			71	71		71		71
Own credit risk reserve (including deferred taxes)			490	490		490		490
Change from companies measured at equity			602	602		602		602
Comprehensive income	0	0	127,419	127,419	5	127,424	0	127,424
Capital increase		217,741	0	217,741		217,741		217,741
Dividends paid			-264	-264	-16	-280		-280
Changes in base amount regulation	1		0	1		1	-1	0
Changes scope of consolidation	-5		0	-5		-5	1	-5
Change in cooperative capital and participation capital	0		0	0		0	-133	-133
Reclassification fair value reserve due to sale				0				
Reclassification additional tier 1 capital	-3,570	3,570						
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0		-4	-4	-7	-11	1	-10
As at 30 June 2019	**296,269**	**221,311**	**1,715,237**	**2,232,818**	**2,146**	**2,234,963**	**4,117**	**2,239,081**
As at 1 January 2020	**286,725**	**221,292**	**1,734,644**	**2,242,661**	**2,146**	**2,244,807**	**4,547**	**2,249,354**
Consolidated net income			30,325	30,325	6	30,331		30,331
Change in deferred taxes arising from untaxed reserve			4	4		4		4
Fair value reserve - equity instruments (including deferred taxes)			-1,964	-1,964		-1,964		-1,964
Fair value reserve - debt instruments (including deferred taxes)			166	166		166		166
Own credit risk reserve (including deferred taxes)			-13	-13		-13		-13
Change from companies measured at equity			-1,128	-1,128		-1,128		-1,128
Comprehensive income	0	0	27,389	27,389	6	27,395	0	27,395
Dividends paid [4]			-8,715	-8,715	-13	-8,728		-8,728
Change of capital	1,654	-3,570	1,916	0		0		0
Change in cooperative capital and participation capital			0	0		0	-830	-830
Reclassification fair value reserve due to sale			0	0		0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0		26	26	-19	7	3	10
As at 30 June 2020	**288,379**	**217,722**	**1,755,260**	**2,261,362**	**2,119**	**2,263,481**	**3,721**	**2,267,202**

thereof obtained in reserves:

Euro thousand	30 Jun 2020	30 Jun 2019
Fair value reserve	-687,754	-689,084
thereof deferred taxes	229,251	229,695
Own credit risk reserve	2,087	3,012
thereof deferred taxes	-696	-1,004

1) Subscribed capital incl. participation capital and cooperative capital shares, pursuant to IFRIC 2 eligible as equity.
2) Cooperative capital shares, pursuant to IFRIC 2 not eligible as equity.
3) AT1-capital is shown in Additional tier 1 capital.
4) thereof dividends paid of AT1-capital euro thousand 8,525 Tsd. and PS-capital euro 190 thousand

Condensed cash flow statement

In euro thousand	1-6/2020	1-6/2019
Cash and cash equivalents at the end of previous period (= liquid funds)	2,051,384	1,893,054
Cash flow from operating activities	1,466,131	-30,127
Cash flow from investing activities	-108,530	-480,355
Cash flow from financing activities	-19,603	192,504
Effect of currency translation	205	4,363
Cash and cash equivalents at the end of period	3,389,587	1,579,439

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

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Notes as at 30 June 2020

1) General information and accounting principles

VOLKSBANK WIEN AG (VBW), which has its registered office at Dietrichgasse 25, 1030 Vienna, Austria, is the central organisation (CO) of the Austrian Volksbank sector. VBW has concluded a banking association agreement with the primary banks (Volksbanks, VB) in accordance with section 30a of the Austrian Banking Act (Bankwesengesetz, BWG). The purpose of this banking association agreement is to create a joint liability scheme between the primary sector institutions and to monitor and ensure compliance with the standards of the applicable regulatory provisions at association level. Section 30a (10) of the Austrian Banking Act requires an association's central organisation to have the right to issue instructions to the member credit institutions.

Financial statements for the Association are prepared in accordance with all the latest valid versions of the IFRS/IAS as at the reporting date, as published by the International Accounting Standards Board (IASB). The financial statements also comply with all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretations Committee (SIC), if adopted by the European Union in its endorsement process and additional requirements pursuant to section 245a of the Austria Commercial Code (Unternehmensgesetzbuch, UGB) and section 59a of the Austrian Banking Act.

Regarding the exceptions to the application of individual IFRS we refer to the 2019 Association financial statements.

The Association of Volksbanks is required to comply with the regulatory provisions of Parts Two to Eight of Regulation (EU) No 575/2013 and section 39a of the Austrian Banking Act, on the basis of the consolidated financial position (section 30a (7) of the Austrian Banking Act). By letter dated 29 June 2016, the ECB granted unlimited approval of the Association of Volksbanks.

Under section 30a (7) of the Austrian Banking Act, the CO is required to prepare consolidated financial statements pursuant to sections 59 and 59a of the Austrian Banking Act for the Association of Volksbanks. The Association's financial statements are prepared according to IFRS rules. For full consolidation purposes, section 30a (8) of the Austrian Banking Act specifies that the CO is to be regarded as a higher-level institution, while each associated institution and, under certain conditions, each transferring legal entity, is to be treated as a subordinate institution.

In accordance with IFRS, a full consolidation only can take place if a company has full authority over decisions of the associated company, in other words, it has the ability to influence returns on equity by its power of disposition (IFRS 10.6). The Association's CO has the right to issue instructions, but doesn't receive returns from the member credit institutions; therefore the CO has no control as defined by IFRS 10. The lack of an ultimate controlling parent company means that despite the CO's extensive powers to issue instructions, the consolidated accounts can only be drawn up by treating the Association of Volksbanks as a group of companies which are legally separate entities under unified control without a parent company. It was therefore necessary to define a set of rules for preparing the Association's financial statements.

The interim financial statements do not contain all information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2019. The accounting policies estimates and assumptions on which these financial statements are based are the same as those used in the preparation of the consolidated financial statements as at 31 December 2019, with the exception of changes and amendments that are explained in the accounting principles.

These condensed consolidated interim financial statements fulfil the requirements of IAS 34 Interim Financial Reporting. They have not been reviewed by the statutory auditor.

The accounts have been prepared using the going concern assumption. The Association of Volksbanks consolidated financial statements are reported in euros, as this is the Association's functional currency. All figures are indicated in thousand of euro unless specified otherwise. The following tables may contain rounding differences.

Accounting principles for the Association

Initially applied standards and interpretations

Standard	Content	Mandatory application	Significant effects on the Association
Amendments to standards and interpretations			
IAS 1 and IAS 8	Definition of materiality	As of BY 2020	No
Benchmark reform (IFRS 9, IAS 39 and IFRS 7)		As of BY 2020	No
Revising of conceptual framework		As of BY 2020	No

Standards and interpretations to be applied in future

Standard	Content	Mandatory application	Significant effects on the Association
IAS 1	Classification of liabilities as current or non-current	As of BY 2022	No
Changes in IFRS 3 - Business combinations		As of BY 2022	No
IFRS 17	Insurance contracts	As of BY 2022	No

BY – business year

Accounting and valuation methods regarding Covid-19

The strong relationship of the Association of Volksbanks with its customers and its close ties within the region have proven their worth also in times of the Covid-19 crisis. A large number of customers were granted relief measures due to Covid-19 in order to counter the liquidity bottlenecks caused by the lockdown and to cope with existence-threatening circumstances. These measures include various kinds and combinations of deferments, term extensions, bridging loans, and increases of overdraft facilities for existing customers.

Impairment Stages 1 and 2 prior to post-model adjustments

Taking account of regulatory requirements (a.o. the EBA guidelines published on 25 March and 2 April 2020), the Covid-19-related measures, unless borrower-specific, are not necessarily/automatically interpreted as a significant increase of credit risk and assignment to Stage 2. The processes and rules for identifying borrower-specific forbearance measures were reviewed and adjusted in the course of the Covid-19 crisis. The result of the review was that, so far, all moratoriums introduced in Austria have met the conditions defined in the EBA guidelines. In some cases, the facilities granted were classified as borrower-specific, and accordingly a transfer from Stage 1 to Stage 2 was carried out. An allocation to risk provisions in the amount of approximately 30 % of the risk provisions formed in the performing sphere, due to borrower-specific forbearance measures, was taken into account in the semi-annual report 2020.

For this purpose, the Association of Volksbanks uses internal rating systems to distinguish between borrowers whose credit rating was not significantly impaired by the current situation in the long term and those who are very seriously affected, making it unlikely that their credit rating will be restored to the level before the crisis. This rating downgrade and the associated allocations to risk provisions of approximately 45 % of provisions in the performing sphere correlate with customers' level of creditworthiness before the crisis, on the one hand, and with the Covid-19-related measures, on the other hand. Therefore, customers who had weaker credit ratings before the crisis got to a greater extent in those allocations.

Accordingly, the share, due to the Covid-19 measures, of post-model adjustments for the "Performing" sphere of credits (Stages 1 and 2) in the amount of euro 6.6 million amounts to 75 %.

Post-model adjustments Stages 1 and 2

Under IFRS 9, expected credit losses are determined using future-oriented information, models and data.

If the solely model-based determination does not yield any proper result, for instance because certain developments are not (yet) reflected in the model or in the available data, the result of the model-based determination will be adjusted to account for these developments (post-model adjustments).

The serious consequences of the Covid-19 pandemic for the general economic environment and the currently high degree of uncertainty tend to increase the need for post-model adjustments when determining expected credit losses.

In the semi-annual report, a post-model adjustment (allocation to impairments) for customers designated as "Performing" (Stages 1 and 2) was accounted for in the total amount of euro 47.2 million. In doing so, individual sources of risk and/or uncertainty were identified, the exposures concerned were determined on individual transaction level, and the required allocation to risk provisions was quantified using statistical, business management or simulation-based models.

Immediately imminent, but not recognised defaults

The sub-portfolio of customers with Covid-19 relief measures also includes customers who were almost insolvent already before the crisis and were only temporarily "saved" from default due to Covid-19 deferments. To promptly account for these customers during formation when creating the risk provisions, an allocation of euro 4.6 million was effected as post-model adjustment.

For customers under intensive supervision, an automated business analysis was carried out on the basis of debt and income ratios, then compared to and supplemented by qualitative single case analyses. In this way, the probability of immediately imminent classification as "unlikely-to-pay" and assignment to Stage 3 was estimated for each customer. An allocation in the amount of euro 3.5 million was determined to reflect the probability-weighted losses from this classification.

For the rest of the Covid-19 sub-portfolio, the default rate observed was compared to the default rate of the overall portfolio and an allocation in the amount of euro 1.1 million was derived using statistical/mathematical methods.

Non-updated ratings

Especially in case of Corporate Customers, the business records that may be used as a basis for the rating usually reflect the company's financial situation during the previous year. Hence, the effects of the Covid-19 crisis are not yet reflected in the rating systems. In order to adequately take account of rating downgrades during the formation of risk provisions at the reporting date of 30 June 2020, those customers were identified who may be seriously affected by the crisis, with any sustainable restoration to pre-Covid-19 sales revenues appearing unlikely. Apart from customers with Covid-19 relief measures, the portfolio also includes customers with weaker balance sheet ratios, higher risk costs and customers with internal account conduct scores deteriorating since the beginning of the crisis. When determining the thresholds for assignment and the likeliness of rating migrations, the bank distinguishes between different industry sectors, also taking a regional approach, if necessary. The resulting post-model adjustment amounts to euro 12.7 million.

Adjustment of macro-economic scenarios according to ECB requirements

In response to the Covid-19 crisis, the ECB published recommendations to banks regarding the creation of impairments in April 2020. Banks are called upon to put greater weight on long-term risk assessments during determination of the risk parameters, in order to avoid any excessive creation of risk provision.

Moreover, a central scenario published by the ECB must be taken into account.

In this context, the goals addressed by the ECB were the application of neutral macro-economic forecast figures, which are neither too optimistic nor excessively conservative, on the one hand, and ensuring a higher degree of consistency for risk provisions among EU banks, on the other hand.

Based on the macro-economic forecasts of the ECB published in June 2020 and on the macro-model of the Association of Volksbanks, an increase of risk provisions in Stage 1 by 48 % and in Stage 2 by 31 % was simulated; 37 % or euro 30.0 million overall. The risk-mitigating effects of the Covid-19 relief measures of the Austrian government (reduced working hours, state guarantees etc.) were integrated and taken into account.

Impairments and post-model adjustments Stage 3

The positive developments in the sphere of defaulted customers have continued in spite of the Covid-19 crisis. In the case of many NPL exposures, settlement was carried out successfully and/or the previously formed risk provisions released in profit or loss. In the semi-annual report, a minor allocation to impairments for NPL (Stage 3) customers, including new defaults, in the total amount of euro 12.3 million was accounted for.

However, due to the Covid-19 crisis, it is expected that opportunities for the restructuring/recovery & resolution of defaulted customers will be (more) limited over the next 1 to 2 years. Especially for customers with prolonged NPL periods in the recovery & resolution category, an increase in migrations to the legal category is expected, and consequently a rising number of bankruptcy proceedings. To account for these expectations in the context of risk provisions, an allocation amounting to euro 5.6 million was effected. All customers showing an NPL period of more than 3 years, without good conduct, were taken into account here. The effect of the transfer to the legal category on the LGD parameter and subsequently on the requirement to carry out any impairments was quantified for these customers and shown as post-model adjustments.

Further details regarding determination of the expected credit risk costs of the Association of Volksbanks in accordance with IFRS 9 are included in the Annual Report of the Association of Volksbanks as at 31 December 2019.

2) Presentation and changes in the scope of consolidation

In the first half of 2020 there were no changes in the scope of consolidation.

Participation right of the federal government

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

Distributions of RZG based on the federal government’s participation right are subject to the disposition of VBW as sole shareholder of RZG. No claim for profit shares exists under the federal government’s participation right. In that context, shareholders of VBW have transferred VBW shares (at a rate of 25 % of the share capital plus 1 share) to the federal government without consideration. The transfer of the shares to the federal government was effected on 28 January 2016. The federal government is obliged to transfer these shares back to the respective shareholders without consideration, as soon as the aggregate amount of distributions received by the federal government under the participation right and certain other creditable amounts reaches a certain level. Should the distributions under the federal government's participation right, as received by the federal government on contractually determined effective dates, fail to reach certain minimum amounts agreed (disposition event), taking account of certain creditable amounts (such as any distributions on the shares held by the federal government in VBW), then the federal government shall be entitled to freely dispose of these shares without any further consideration and to claim additional ordinary shares of VBW from the VBW shareholders, in the amount of 8 % of the share capital of VBW without any further consideration. Overall, therefore, if the disposition event occurs, up to 33 % plus 1 share of the VBW shares may transfer to the (legal and beneficial) ownership of the federal government, and the latter would be able to freely dispose of these holding of shares (subject to the pre-emptive right granted). In case that the pre-emptive right granted by the federal government is exercised by a purchaser nominated by VBW and that a minimum threshold for the sum of the distributions in respect of the federal government's participation right and of the creditable amounts is missed again, the shareholders of VBW have undertaken to transfer to the federal government additional ordinary shares of VBW in the amount of the VBW shares previously transferred to the federal government and acquired by the purchaser nominated by VBW, with immediate unrestricted power of disposition of the federal government.

According to its contractual obligations towards the federal government, VBW must submit to the Volksbanks a proposal for the total amount to be distributed with respect to the federal government’s participation right by RZG in the subsequent calendar year and for the total amount of the primary banks’ contributions required for this purpose (indirect contributions of the Volksbanks and direct contribution of VBW to RZG) by 30 November of each year. VBW is charged according to the share of its retail segment in the Association of Volksbanks (total assets UGB/BWG). Of the repayment amount of euro 300 million that was promised to the federal government, euro 76 million have already been repaid as at 30 June 2020. Accordingly, the threshold existing at 31 December 2019 for the minimum repayment in the amount of euro 75 million was met prior to maturity. The next threshold as at 31 December 2021 is euro 200 million.

Since the shareholders – essentially VB – retain beneficial ownership of the shares until a "control event" (Verfügungsfall) occurs, the shares were not de-recognised. In the Association's financial statements, these shares in VBW therefore continue to be offset against the equity of VBW during capital consolidation.

3) Notes to the income statement

Net interest income

Euro thousand	1-6/2020	1-6/2019
Interest and similar income from	254,337	263,683
Credit and money market transactions with credit institutions	883	2,535
Credit and money market transactions with customers	228,228	231,798
Fixed-income securities	20,004	22,569
Derivative instruments	5,222	6,781
Interest and similar expenses for	-43,444	-53,015
Liquid funds	-650	-3,420
Deposits from credit institutions (including central banks)	-2,025	-2,274
Deposits from customers	-6,339	-9,572
Debts evidenced by certificates	-8,422	-8,132
Subordinated liabilities	-7,922	-8,679
Derivative instruments	-14,204	-15,971
Lease liabillities	-1,700	-1,537
Valuation result - modification	-2,204	-3,440
Valuation result - derecognition	24	11
Net interest income	**210,893**	**210,667**

Net interest income according to IFRS 9 categories

Euro thousand	1-6/2020	1-6/2019
Interest and similar income from	254,337	263,683
Financial assets measured at amortised cost	244,554	248,786
Financial assets measured at fair value through OCI	1,454	3,768
Financial assets measured at fair value through profit or loss - obligatory	3,108	4,347
Derivative instruments	5,222	6,781
Interest and similar expenses for	-43,444	-53,015
Financial liabilities measured at amortised cost	-25,521	-32,066
Financial liabilities measured at fair value through profit or loss - designated	-1,538	-1,548
Derivative instruments	-14,204	-15,971
Valuation result - modification	-2,204	-3,440
Valuation result - derecognition	24	11
Net interest income	**210,893**	**210,667**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 452 thousand (1-6/2019: euro 1,332 thousand) and interest expenses of euro 1,635 thousand (1-6/2019: euro 4,201 thousand) were realised in the first half of 2020. Negative interest income is reported in interest expenses and negative interest expenses are reported in interest income, so that all results are shown gross.

Interest and similar income from financial assets measured at amortised cost and measured at fair value through OCI in the amount of euro 246,008 thousand (1-6/2019: euro 252,554 thousand) is calculated by using the effective interest rate method.

Risk provision

Euro thousand	1-6/2020	1-6/2019
Changes in risk provision	-48,266	931
Changes in provision for risks	-22	1,268
Direct write-offs of loans and receivables	-5,235	-1,589
Income from loans and receivables previously written off	4,936	4,514
Valuation result modification / derecognition	-156	-859
Risk provision	**-48,744**	**4,266**

Net fee and commission income

Euro thousand	1-6/2020	1-6/2019
Fee and commission income	131,874	130,316
Lending business	12,020	10,746
Securities and custody business	41,716	36,513
Payment transactions	56,886	58,908
Foreign exchange, foreign notes and coins and precious metals transactions	686	1,005
Financial guarantees	3,646	3,781
Other services	16,919	19,363
Fee and commission expenses	-14,487	-15,261
Lending business	-3,564	-3,854
Securities and custody business	-5,186	-4,955
Payment transactions	-5,321	-5,943
Financial guarantees	-210	-152
Other services	-205	-358
Net fee and commission income	**117,387**	**115,054**

Net fee and commission income includes management fees for trust agreements in the amount of euro 49 thousand (1-6/2019: euro 94 thousand).

Net trading income

Euro thousand	1-6/2020	1-6/2019
Equity related transactions	-7	16
Exchange rate related transactions	1,791	2,194
Interest rate related transactions	442	-3,781
Net trading income	**2,227**	**-1,571**

Result from financial instruments and investment properties

Euro thousand	1-6/2020	1-6/2019
Other results from financial instruments	**-17,622**	**22,715**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	-7,984	3,864
Valuation measured at fair value through profit or loss - obligatory	-6,104	8,109
Loans and receivables credit institutions and customers	-6,766	7,495
Securities	662	614
Valuation measured at fair value through profit or loss - designated	-2,284	-4,908
Debts evidenced by certificates	-2,284	-4,908
Income from equities and other variable-yield securities	404	663
Result of financial investments and other financial assets and liabilities measured at amortised cost	-1	4,913
Realised gains from disposal	77	4,913
Realised losses from disposal	-78	0
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	1,394	1,935
Realised gains from disposal	10	1
Realised losses from disposal	-1	-1
Income from participations	1,385	1,935
Result from other derivative instruments	-9,751	15,460
Result from fair value hedge	-1,280	-3,457
Valuation of underlying instruments	37,377	81,409
Valuation of derivatives	-38,657	-84,865
Result from investment properties	**1,415**	**1,856**
Rental income from investment property and operating lease	1,421	1,753
Valuation investment properties	-6	103
Result from financial instruments and investment properties	**-16,207**	**24,572**

Other operating result

Euro thousand	1-6/2020	1-6/2019
Other operating income	40,622	17,012
Other operating expenses	-8,087	-7,393
Deconsolidation result from consolidated affiliates	-267	43,948
Taxes and levies on banking business	-2,374	-2,226
Other operating result	**29,893**	**51,342**

Taxes and levies on banking issues include the bank levy in the amount of euro -1,702 thousand (1-6/2019: euro -1,480 thousand).

Detailed description of other operating income and other operating expenses

Euro thousand	1-6/2020	1-6/2019
Income from allocation of costs	1,574	2,923
Realised gains from disposal of fixed assets and security properties	33,175	8,231
Rental and leasing income	2,917	2,335
Others	2,957	3,523
Other operating income	**40,622**	**17,012**

Euro thousand	1-6/2020	1-6/2019
Allocation of costs	-2,031	-2,132
Realised losses from disposal of fixed assets and security properties	-1,092	-3,751
Allocation/release of provision for negative interest	1,373	1,661
Allocation/release of provision for legal costs	-2,649	156
Valuation of assets held for sale and disposal groups	-32	-658
Others	-3,655	-2,670
Other operating income	**-8,087**	**-7,393**

General administrative expenses

Euro thousand	1-6/2020	1-6/2019
Staff expenses	-152,441	-159,982
Wages and salaries	-114,445	-118,882
Expenses for statutory social security	-30,021	-31,581
Fringe benefits	-1,865	-2,076
Expenses for retirement benefits	-3,484	-3,610
Allocation to provision for severance payments and pension funds	-2,628	-3,834
Administrative expenses	-91,128	-100,616
Office space expenses	-7,487	-9,316
Office supplies and communication expenses	-3,104	-3,555
Advertising, PR and promotional expenses	-6,334	-7,789
Legal, advisory and consulting expenses	-10,946	-15,935
IT expenses	-36,493	-36,220
Contribution to the deposit guarantee	-12,650	-12,918
Single Resolution Fund	-6,866	-5,776
Other administrative expenses (including training expenses)	-7,248	-9,106
Depreciation and reversal of impairment	-16,284	-14,953
Depreciation	-11,964	-11,286
Impairment/reversal of impairment	0	-44
Right of use - lease depreciation	-4,320	-3,596
Right of use - lease impairment	0	-27
General administrative expenses	**-259,853**	**-275,552**

Income taxes

In the current business year deferred tax assets for tax loss carryforwards in the amount of euro 2.4 million were amortised.

4) Notes to the consolidated statement of financial positions

Liquid funds

Euro thousand	30 Jun 2020	31 Dec 2019
Cash in hand	191,248	206,986
Balances with central banks	3,218,667	1,864,726
Liquid funds	**3,409,916**	**2,071,712**

In the first half of 2020 the VOLKSBANK WIEN AG as central organisation (CO) participated in the TLTRO III programm of the European Central Bank. This increased the balances with as well as the amounts owed to central banks in the amount of euro 1.5 billion.

Transition from liquid funds to cash and cash equivalents

Euro thousand	30 Jun 2020	31 Dec 2019
Liquid funds	3,409,916	2,071,712
Restricted cash and cash equivalents	-20,328	-20,328
Cash and cash equivalents	**3,389,588**	**2,051,384**

Due to contractual obligations within the Association of Volksbanks, cash and cash equivalents are subject to restrictions. Mentioned cash and cash equivalents are allocated to a trust fund (Leistungsfonds) which serves the purpose of performing the services within the scope of joint liability scheme under the association agreement. This trust fund was set up in the second half of 2016. In doing so, a target allocation amount was determined that must be achieved over a period of five years. VBW as CO manages this fund in trust. The amount reported shows the balance of the trust fund in the particular reporting period.

Loans and receivables to credit institutions and customers

Euro thousand	30 Jun 2020	31 Dec 2019
Loans and receivables credit institutions		
Amortised cost	449,199	430,387
Fair value through profit or loss	416	770
Gross carrying amount	449,615	431,157
Risk provisions	-37	-48
Net carrying amount	**449,578**	**431,109**
Loans and receivables customers		
Amortised cost	21,075,814	21,060,083
Fair value through profit or loss	430,437	476,748
Gross carrying amount	21,506,251	21,536,832
Risk provisions	-319,556	-286,185
Net carrying amount	**21,186,695**	**21,250,646**
Loans and receivables credit institutions and customers	**21,636,272**	**21,681,755**

Sensitivity analysis

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

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

Loans and receivables credit institutions
30 Jun 2020

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1	-1
Change in risk markup +/- 100 bp	9	-8
Change in rating 1 stage down / up	0	0
Change in rating 2 stages down / up	0	-1

Loans and receivables credit institutions
31 Dec 2019

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	1	-1
Change in risk markup +/- 100 bp	11	-11
Change in rating 1 stage down / up	0	-1
Change in rating 2 stages down / up	1	-1

Loans and receivables customers
30 Jun 2020

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	2,064	-2,065
Change in risk markup +/- 100 bp	22,120	-20,022
Change in rating 1 stage down / up	258	-362
Change in rating 2 stages down / up	425	-928

Loans and receivables customers
31 Dec 2019

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	2,278	-2,351
Change in risk markup +/- 100 bp	24,327	-22,069
Change in rating 1 stage down / up	328	-498
Change in rating 2 stages down / up	539	-1,245

Risk provision

The following table shows the development of risk provisions for loans to and receivables from credit institutions as well as from customers including finance lease, financial instruments measured at amortised cost and financial instruments measured at fair value through OCI.

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	Total
As at 01 Jan 2019	21,648	34,664	236,902	293,214
Increases due to origination and acquisition	2,591	679	2,997	6,267
Decreases due to derecognition	-1,299	-2,601	-7,357	-11,257
Changes due to change in credit risk	-2,271	1,121	6,420	5,270
Decrease in allowance account due to write-offs	0	0	-10,600	-10,600
Other adjustments	20	41	151	212
As at 30 Jun 2019	**20,689**	**33,903**	**228,513**	**283,105**
As at 01 Jan 2020	21,195	48,004	217,495	286,694
Increases due to origination and acquisition	1,873	711	1,311	3,895
Decreases due to derecognition	-728	-2,059	-3,782	-6,570
Changes due to change in credit risk	-3,596	8,866	-6,122	-852
Decrease in allowance account due to write-offs	0	0	-16,174	-16,174
Post-Model Adjustments	47,217	0	5,640	52,857
Other adjustments	498	-2,165	1,871	204
As at 30 Jun 2020	**66,458**	**53,357**	**200,239**	**320,054**

Assets held for trading

Euro thousand	30 Jun 2020	31 Dec 2019
Fixed-income securities	2,261	663
Equities and other variable-yield securities	12	0
Positive fair values of derivative instruments	55,973	55,381
Exchange rate related transactions	26	28
Interest rate related transactions	55,947	55,353
Assets held for trading	**58,246**	**56,044**

VBW as the CO maintains a trading book. The volume of the trading book as at 30 Jun 2020 amounts to euro 1,965,626 thousand (2019: euro 3,048,018 thousand).

Financial investments

Euro thousand	30 Jun 2020	31 Dec 2019
Financial investments		
Amortised cost	2,485,922	2,299,832
Fair value through OCI	126,293	168,880
Fair value through profit or loss	107,876	110,714
Gross carrying amount	2,720,091	2,579,427
Risk provision	-451	-451
Net carrying amount	**2,719,639**	**2,578,976**

Participations

Euro thousand	30 Jun 2020	31 Dec 2019
Investments in unconsolidated affiliates	14,477	15,145
Investments in companies with participating interest	6,521	6,799
Investments in other companies	106,649	108,534
Participations	**127,648**	**130,479**

Sensitivity analysis

Participations measured by using the DCF method

Euro thousand		Interest rate		
30 Jun 2020		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	15,295	14,558	13,897
Income component	**Actual**	16,805	**15,984**	15,252
	10.00 %	18,315	17,414	16,606

31 Dec 2019		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	18,633	17,602	16,738
Income component	**Actual**	20,514	**19,356**	18,332
	10.00 %	22,394	21,119	19,995

Participations measured by net assets

	Proportional market value		
Euro thousand 30 Jun 2020	**If assumption is decreased**	**Actual**	**If assumptions is increased**
Net assets (10 % change)	13,925	**15,472**	17,019

31 Dec 2019	**If assumption is decreased**	**Actual**	**If assumptions is increased**
Net assets (10 % change)	13,407	**14,897**	16,386

Participations measured based on external appraisals

Euro thousand 30 Jun 2020	**Lower band**	**Actual**	**Upper band**
Proportional market value	79,699	**88,537**	97,390

31 Dec 2019	**Lower band**	**Actual**	**Upper band**
Proportional market value	79,699	**88,544**	97,390

Other assets

Euro thousand	30 Jun 2020	31 Dec 2019
Deferred items	8,632	3,314
Other receivables and assets	49,577	77,308
Positive fair values of derivative instruments	117,934	87,505
Other assets	**176,142**	**168,127**

Assets held for sale

This position includes all assets held for sale in accordance with IFRS 5. The amount consists of the following:

Euro thousand	30 Jun 2020	31 Dec 2019
Investment property	344	0
Tangible assets	3,818	53,554
Assets held for sale	**4,162**	**53,554**

As at 31 December 2019, the carrying amount of the former head office in 1090 Vienna, Kolingasse, is reported in assets available for sale. The property was sold by 3V-Immobilien Errichtungs-GmbH, a subsidiary of VOLKSBANK WIEN AG, to the Kolingasse 14-16 Liegenschaftsverwaltung GmbH. The sale becoming effective in January 2020, the result derived from it is now reported in the other operating result.

Amounts owed to credit institutions

Euro thousand	30 Jun 2020	31 Dec 2019
Central banks	1,687,237	83,437
Other credit institutions	326,566	328,753
Amounts owed to credit institutions	**2,013,803**	**412,189**

Amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Jun 2020	31 Dec 2019
Savings deposits	7,860,445	8,201,339
Other deposits	13,562,604	13,527,750
Amounts owed to customers	**21,423,048**	**21,729,089**

Amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2020	31 Dec 2019
Bonds	1,432,527	1,432,724
Amortised cost	1,341,135	1,322,415
Fair value through profit or loss - designated	91,392	110,308
Medium-term notes	18,393	27,122
Others	15,400	22,072
Debts evidenced by certificates	**1,466,320**	**1,481,917**

Medium-term notes and other debts evidenced by certificates are measured at amortised cost.

For the purpose of optimizing the portfolio of ECB-eligible collaterals, VBW as CO of the Association of Volksbanks issued an 8-year covered bond with variable interest rate (interest rate period equal to 3-month EURIBOR) and a Moody's rating of Aaa in March. The volume amounted to euro 250 million and was meant, among others, to replace 2 issues retained at the same time, with a total volume of euro 120 million.

Liabilities held for trading

Euro thousand	30 Jun 2020	31 Dec 2019
Negative fair values of derivative instruments		
Exchange rate related transactions	1	4
Interest rate related transactions	82,471	76,865
Liabilities held for trading	**82,473**	**76,868**

Provisions

Euro thousand	30 Jun 2020	31 Dec 2019
Provisions for post-employment benefits	209,902	212,650
Provisions for off-balance and other risks	16,115	16,137
Stage 1	3,200	3,157
Stage 2	6,727	5,913
Stage 3	6,188	7,067
Other provisions	29,193	27,349
Provisions	**255,210**	**256,136**

Other liabilities

Euro thousand	30 Jun 2020	31 Dec 2019
Deferred items	1,908	1,027
Other liabilities	139,505	100,494
Negative fair values of derivative instruments	437,595	386,427
Other liabilities	**579,008**	**487,948**

Subordinated liabilities

Euro thousand	30 Jun 2020	31 Dec 2019
Subordinated capital	501,437	502,808
Supplementary capital	89,208	94,734
Subordinated liabilities	**590,646**	**597,542**

The subordinated liabilities are measured at cost.

5) Own funds

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

Euro thousand	30 Jun 2020	31 Dec 2019
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	779,487	775,917
Retained earnings	1,392,511	1,404,457
Accumulated other comprehensive income (and other reserves)	-179,874	-180,525
Amount of capital instruments subject to phase out from CET1	4,906	7,358
Common tier I capital before regulatory adjustments	1,997,030	2,007,208
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-2,978	-3,377
Value adjustments due to the requirement for prudent valuation	-1,580	-1,537
Regulatory adjustments - transitional provisions	0	0
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET 1 deductions pursuant to article 3 CRR	-95,388	-94,771
Total regulatory adjustments	-99,947	-99,685
Common equity tier I capital - CET1	**1,897,083**	**1,907,522**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	223,570
Additional tier I capital before regulatory adjustments	220,000	223,570
Additional tier I capital: regulatory adjustments		
Regulatory adjustments - transitional provisions	0	0
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**223,570**
Tier I capital (CET1 + AT1)	**2,117,083**	**2,131,092**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	462,363	467,896
Capital instruments subject to phase out from tier II	38,090	38,548
Tier II capital before regulatory adjustments	500,454	506,443
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**500,454**	**506,443**
Own funds total - TC (T1 + T2)	**2,617,537**	**2,637,536**

Common equity tier I capital ratio	13.19 %	12.88 %
Tier I capital ratio	14.72 %	14.39 %
Equity ratio	18.20 %	17.81 %
each in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows

Euro thousand	30 Jun 2020	31 Dec 2019
Risk weighted exposure amount - credit risk	13,047,124	13,450,162
Total risk exposure amount - settlement risk	151	0
Total risk exposure amount for position, foreign exchange and commodities risks	48,823	84,611
Total risk exposure amount for operational risk	1,230,771	1,230,771
Total risk exposure amount for credit valuation adjustment (cva)	52,690	44,462
Total risk exposure amount	**14,379,560**	**14,810,005**

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

Euro thousand	30 Jun 2020	31 Dec 2019
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	779,487	775,917
Retained earnings	1,392,511	1,404,457
Accumulated other comprehensive income (and other reserves)	-179,874	-180,525
Common tier I capital before regulatory adjustments	1,992,124	1,999,850
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-2,978	-3,377
Value adjustments due to the requirement for prudent valuation	-1,580	-1,537
Additional CET 1 deductions pursuant to article 3 CRR	-95,388	-94,771
Total regulatory adjustments	-99,947	-99,685
Common equity tier I capital - CET1	**1,892,178**	**1,900,164**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	223,570
Additional tier I capital before regulatory adjustments	220,000	223,570
Additional tier I capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**223,570**
Tier I capital (CET1 + AT1)	**2,112,178**	**2,123,734**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	465,607	472,420
Tier II capital before regulatory adjustments	465,607	472,420
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**465,607**	**472,420**
Own funds total - TC (T1 + T2)	**2,577,784**	**2,596,154**
Common equity tier I capital ratio	13.16 %	12.83 %
Tier I capital ratio	14.69 %	14.34 %
Equity ratio	17.93 %	17.53 %
each in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows

Euro thousand	30 Jun 2020	31 Dec 2019
Risk weighted exposure amount - credit risk	13,047,124	13,450,162
Total risk exposure amount - settlement risk	151	0
Total risk exposure amount for position, foreign exchange and commodities risks	48,823	84,611
Total risk exposure amount for operational risk	1,230,771	1,230,771
Total risk exposure amount for credit valuation adjustment (cva)	52,690	44,462
Total risk exposure amount	**14,379,560**	**14,810,005**

VBW has concluded a banking association agreement with the Volksbanks in accordance with section 30a of the Austrian Banking Act. The purpose of this banking association agreement is to create a joint liability scheme between the primary sector institutions and to monitor and ensure compliance with the standards of the Austrian Banking Act at association level. According to article 10 CRR in conjunction with article 11 (4) CRR the CO must comply with the CRR´s own funds requirements based on the consolidated overall position of the CO and its affiliated institutions. The own funds of the Association of Volksbanks are calculated by aggregating VBW's own funds and those of the member institutions. When aggregating the included companies investments in Volksbanks and VBW, the aggregated carrying amounts of the investments are deducted from the aggregated equity components. Superior financial holding companies and holding companies, provided they fulfil the requirements of 30a of the Austrian Banking Act, are also added and participations in these deducted. The aggregation as a group of companies which are legally separate entities, but under unified control without a parent company, means that the capital consolidation does not result in any minority interests. Subordinated companies are included in accordance with the method described below.

According to CRR, companies in the financial sector that are under the control of the parent or where the Group holds a majority of shares are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing bankingrelated auxiliary services that are controlled by the parent but not significant for the presentation of the group of credit institutions according to section 19 (1) of CRR is deducted from own funds. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in companies in the financial sector with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in companies in the financial sector of less than 10 % are deducted from own funds considering the eligibility according to section 46 CRR. All other participations are included in the assessment base at their carrying amounts.

All credit institutions under control or where the Group holds a majority of shares either direct or indirect are considered in the scope of consolidation according to CRR.

In the first half of 2020, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

6) Financial assets and liabilities

The table below shows financial assets and liabilities in accordance with their individual categories and their fair values

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Carrying amount - total	Fair value
30 Jun 2020					
Liquid funds	3,409,916	0	0	3,409,916	3,409,916
Loans and receivables credit institutions (gross)	449,199	0	416	449,615	
Loans and receivables credit institutions less individual loan loss provision	449,199	0	416	449,615	448,295
Loans and receivables customers (gross)	21,075,814	0	430,437	21,506,251	
Individual loan loss provision	-200,239	0	0	-200,239	
Loans and receivables customers less individual loan loss provision	20,875,575	0	430,437	21,306,012	21,831,372
Assets held for trading	0	0	58,246	58,246	58,246
Financial investments (gross)	2,485,922	126,293	107,876	2,720,091	
Financial investments less individual loan loss provision	2,485,922	126,293	107,876	2,720,091	2,712,652
Participations	0	127,648	0	127,648	127,648
Derivative instruments	0	0	117,934	117,934	117,934
Financial assets total	**27,220,612**	**253,940**	**714,909**	**28,189,460**	**28,706,062**
Amounts owed to credit institutions	2,013,803	0	0	2,013,803	2,013,982
Amounts owed to customers	21,423,048	0	0	21,423,048	21,547,639
Debts evidenced by certificates	1,374,927	0	91,392	1,466,320	1,756,234
Lease liabilities	181,180	0	0	181,180	181,180
Liabilities held for trading	0	0	82,473	82,473	82,473
Derivative instruments	0	0	437,595	437,595	437,595
Subordinated liabilities	590,646	0	0	590,646	568,480
Financial liabilities total	**25,583,605**	**0**	**611,460**	**26,195,064**	**26,587,583**

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Carrying amount - total	Fair value
31 Dec 2019					
Liquid funds	2,071,712	0	0	2,071,712	2,071,712
Loans and receivables credit institutions (gross)	430,387	0	770	431,157	
Loans and receivables credit institutions less individual loan loss provision	430,387	0	770	431,157	430,053
Loans and receivables customers (gross)	21,060,083	0	476,748	21,536,832	
Individual loan loss provision	-217,495	0	0	-217,495	
Loans and receivables customers less individual loan loss provision	20,842,588	0	476,748	21,319,336	21,617,101
Assets held for trading	0	0	56,044	56,044	56,044
Financial investments (gross)	2,299,832	168,880	110,714	2,579,427	
Financial investments less individual loan loss provision	2,299,832	168,880	110,714	2,579,427	2,605,000
Participations	0	130,479	0	130,479	130,479
Derivative instruments	0	0	87,505	87,505	87,505
Financial assets total	**25,644,519**	**299,359**	**731,782**	**26,675,660**	**26,997,894**
Amounts owed to credit institutions	412,189	0	0	412,189	410,075
Amounts owed to customers	21,729,089	0	0	21,729,089	21,773,709
Debts evidenced by certificates	1,371,609	0	110,308	1,481,917	1,498,259
Lease liabilities	183,300	0	0	183,300	183,300
Liabilities held for trading	0	0	76,868	76,868	76,868
Derivative instruments	0	0	386,427	386,427	386,427
Subordinated liabilities	597,542	0	0	597,542	618,463
Financial liabilities total	**24,293,729**	**0**	**573,603**	**24,867,333**	**24,947,101**

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

Euro thousand	Level 1	Level 2	Level 3	Total
30 Jun 2020				
Loans and receivables credit institutions	0	0	416	416
Loans and receivables customers	0	0	430,437	430,437
Assets held for trading	2,261	55,985	0	58,246
Financial investments	129,643	27,625	76,901	234,169
Fair value through profit or loss	4,936	26,040	76,901	107,876
Fair value through OCI	124,708	1,585	0	126,293
Participations	0	0	126,757	126,757
Fair value through OCI - designated	0	0	126,757	126,757
Derivative instruments	0	117,934	0	117,934
Financial assets total	**131,904**	**201,544**	**634,510**	**967,958**
Debts evidenced by certificates	0	0	91,392	91,392
Liabilities held for trading	0	82,473	0	82,473
Derivative instruments	0	437,595	0	437,595
Financial liabilities total	**0**	**520,068**	**91,392**	**611,460**
31 Dec 2019				
Loans and receivables credit institutions	0	0	770	770
Loans and receivables customers	0	0	476,748	476,748
Assets held for trading	597	55,447	0	56,044
Financial investments	174,260	29,508	75,826	279,595
Fair value through profit or loss	6,986	27,903	75,826	110,714
Fair value through OCI	167,275	1,606	0	168,880
Participations	0	0	129,566	129,566
Fair value through OCI - designated	0	0	129,566	129,566
Derivative instruments	0	87,505	0	87,505
Financial assets total	**174,857**	**172,461**	**682,911**	**1,030,228**
Debts evidenced by certificates	0	0	110,308	110,308
Liabilities held for trading	0	76,868	0	76,868
Derivative instruments	0	386,427	0	386,427
Financial liabilities total	**0**	**463,295**	**110,308**	**573,603**

Due to immateriality participations in the amount of euro 891 thousand (2019: 913 euro thousand) are measured at cost as their fair value cannot be reliably determined.

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

In the first half of 2020, as well as 2019, neither reclassifications from Level 2 to Level 1 nor reclassifications from Level 1 to Level 2 were made.

Development of level 3 fair values of financial assets and liabilities

Euro thousand	Loans and receivables credit institutions	Loans and receivables customers	Financial investments	Participations	Financial assets total	Debts evidenced by certificates	Financial liabilities total
As at 01 Jan 2019	**1,072**	**576,017**	**75,101**	**107,543**	**759,734**	**106,575**	**106,575**
Additions	0	7,218	112	22	7,352	0	0
Disposals	-170	-60,370	0	-1,963	-62,503	-207	-207
Valuation							
Through profit or loss	2	7,493	342	0	7,837	4,908	4,908
Through OCI	0	0	0	22,719	22,719	-653	-653
As at 30 Jun 2019	**904**	**530,358**	**75,555**	**128,321**	**735,138**	**110,623**	**110,623**
As at 01 Jan 2020	**770**	**476,748**	**75,826**	**129,566**	**682,911**	**110,308**	**110,308**
Additions	0	14,738	0	0	14,738	0	0
Disposals	-349	-54,288	0	-189	-54,827	-21,217	-21,217
Valuation							
Through profit or loss	-5	-6,761	1,074	0	-5,691	2,284	2,284
Through OCI	0	0	0	-2,620	-2,620	18	18
As at 30 Jun 2020	**416**	**430,437**	**76,901**	**126,757**	**634,510**	**91,392**	**91,392**

The valuations shown in the table above are included in the item result from financial instruments and investment properties (income statement) or fair value reserve (other comprehensive income). The valuations recorded in the income statement include financial assets and liabilities still held at the reporting date in the amount of euro -3,411 thousand (2019: euro -12,456 thousand).

During valuation of loans and receivables, the cash flows of the loans are discounted using the risk-free swap curve plus markup. The markups used for discounting are the standard risk costs and the liquidity costs. The liquidity costs are derived from the market (spreads of senior unsecured bank issues in Austria and Germany; spreads of covered bonds for loans in the coverage fund and loans eligible for credit claims). The standard risk costs are used after clustering of the loans according to 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.

As at 30 Jun 2020 financial investments include participation certificates with a carrying amount of euro 76,488 thousand (31 Dec 2019: euro 75,414 thousand) which are allocated to level 3 of the fair value hierarchy. They are not traded on an active market and only allow for alternative measurement by means of unobservable input parameters.

Measurement is effected using the Hull-White one factor interest model within the scope of a Monte Carlo simulation, with the model being calibrated to the current environment of market data (interest rate and volatility) on a daily basis. The interest to be paid on these shares in the future is calculated by means of a variable coupon, consisting of the 3-month EURIBOR as base rate and a markup that constitutes an unobservable input. Other unobservable input factors included in the valuation are the duration and the expected redemption rate of the participation certificates.

End of December 2021 is assumed as the estimated final maturity. The extended redemption period results from the Managing Board’s assessment that a redemption by the Volksbanks of the participation capital held by VB Regio as an asset is subject to approval by the ECB. Only after such approval will VB Regio be able to redeem its own participation certificates. Moreover, a valuation report is required for the redemption of participation certificates in each case.

Based on the liquidity base of the issuer, a redemption rate of 100 is assumed. This assumption is supported by the asset impairment test performed. Discounting of cash flows is effected using a 3-month EURIBOR base rate plus markup reflecting the cost of capital.

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

30 Jun 2020 Euro thousand	Positive change in fair value	Negative change in fair value
Change in maturity + 1 year	0	-3,728
Change in markup +/- 100 BP	1,071	-1,055
Change in redemption - 5 %	0	-3,760

31 Dec 2019 Euro thousand	Positive change in fair value	Negative change in fair value
Change in maturity + 1 year	0	-4,455
Change in markup +/- 100 BP	1,136	-1,087
Change in redemption - 5 %	0	-3,654

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.

7) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2020	1-6/2019	30 Jun 2020	31 Dec 2019
Domestic	3,412	3,659	3,372	3,496
Abroad	0	13	0	38
Total number of staff	**3,412**	**3,672**	**3,372**	**3,496**

	Average number of staff		Number of staff at end of period	
	1-6/2020	1-6/2019	30 Jun 2020	31 Dec 2019
Employees	3,401	3,633	3,363	3,476
Workers	10	39	10	20
Total number of staff	**3,412**	**3,672**	**3,372**	**3,496**

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

8) Branches

	30 Jun 2020	31 Dec 2019
Domestic	264	267
Total number of branches	**264**	**267**

9) Related party disclosures

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Companies measured at equity	Companies which exercise a significant influence on the parent as shareholders
30 Jun 2020				
Loans and receivables customers	19,186	12,361	7,111	0
Fixed-income securities	0	0	0	527,421
Amounts owed to customers	12,095	541	47,364	0
Provisions	3	4	10	0
Contingent liabilities arising from guarantees	1,586	0	11,792	0
Transactions	33,787	15,680	63,564	0
31 Dec 2019				
Loans and receivables customers	21,482	11,935	7,099	0
Fixed-income securities	0	0	0	524,703
Amounts owed to customers	10,379	4,123	57,547	0
Provisions	0	3	8	0
Contingent liabilities arising from guarantees	1,604	0	11,792	0
Transactions	42,362	15,951	67,460	0

Total related party transactions are measured as the average receivables and liabilities from/to credit institutions and customers. The calculation is based on the figures at the quarterly reporting dates during the period under review, which are summed up irrespective of whether plus or minus figures.

Transfer prices between the Association and its associated companies are geared to usual market conditions. As in the previous year, the Association does not have any other liabilities for unconsolidated affiliates or associated companies on balance sheet date.

The Republic of Austria exercises significant influence over the CO. Information on related parties is limited to securities issued by the Republic of Austria that are held by companies included in the financial statements. The simplification option allowed by IAS 24.26 for companies in the sphere of the public sector was exercised.

10) Segment reporting by business segments

1-6/2020 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	4,937	49,244	31,305	24,644	13,499
Risk provision	-949	-10,674	-6,341	-7,644	-3,039
Net fee and comission income	-2,389	31,009	15,245	12,245	7,350
Net trading income	1,296	196	330	35	17
Result from financial instruments and investment properties	-11,092	-1,660	187	147	-463
Other operating result	82,802	117	110	-485	-630
General administrative expenses	-46,418	-66,490	-36,661	-29,078	-17,004
Result from companies measured at equity	0	90	53	0	0
Result before taxes	**28,187**	**1,833**	**4,228**	**-137**	**-270**
Income taxes	-3,501	-529	-994	72	63
Result after taxes	**24,686**	**1,304**	**3,234**	**-65**	**-207**
30 Jun 2020					
Total assets	**8,899,497**	**6,491,983**	**3,531,158**	**2,784,838**	**1,457,229**
Loans and receivables customers	202,291	5,218,660	2,859,244	2,303,967	1,156,094
Companies measured at equity	15	42,791	7,244	4,577	5,742
Amounts owed to customers	869,793	5,390,074	3,027,701	1,866,670	1,282,247
Debts evidenced by certificates, including subordinated liabilities	1,757,340	112,981	12,205	11,300	20,321

1-6/2019 Euro thousand	CO	Vienna	Lower Austria	Styria	Carinthia
Net interest income	6,522	50,390	30,971	23,812	13,631
Risk provision	4,543	-8,853	-1,408	4,047	379
Net fee and comission income	-1,755	28,979	15,088	12,541	7,446
Net trading income	-2,830	109	20	18	-3
Result from financial instruments and investment properties	12,876	6,079	2,194	894	615
Other operating result	80,895	4,428	1,921	205	233
General administrative expenses	-58,421	-75,986	-40,775	-32,306	-18,603
Result from companies measured at equity	0	50	85	0	0
Result before taxes	**41,829**	**5,197**	**8,096**	**9,210**	**3,699**
Income taxes	-4,888	3,141	-1,972	-1,135	-888
Result after taxes	**36,941**	**8,338**	**6,124**	**8,075**	**2,810**
31 Dec 2019					
Total assets	**7,595,658**	**6,548,704**	**3,523,644**	**2,804,538**	**1,454,759**
Loans and receivables customers	259,776	5,294,076	2,851,614	2,319,718	1,166,124
Companies measured at equity	15	43,815	7,206	4,577	5,742
Amounts owed to customers	1,280,697	5,254,307	3,097,714	1,900,605	1,255,178
Debts evidenced by certificates, including subordinated liabilities	1,758,843	112,981	12,190	11,300	25,451

Upper Austria	Salzburg	Tyrol	Vorarlberg	Physicians	Consolidation	Total
19,145	25,250	23,808	12,436	6,637	-12	210,893
-2,955	-7,089	-8,724	2,022	-3,351	0	-48,744
12,109	12,777	17,034	8,885	3,329	-207	117,387
48	-5	240	-48	130	-11	2,227
-174	-1,576	-620	-575	-233	-148	-16,207
278	-284	550	-754	-34	-51,778	29,893
-27,148	-29,583	-31,463	-18,281	-10,174	52,446	-259,853
0	0	0	0	0	0	143
1,305	**-510**	**826**	**3,684**	**-3,696**	**290**	**35,740**
-325	77	-207	-918	924	-72	-5,409
979	**-433**	**620**	**2,766**	**-2,772**	**217**	**30,331**
2,449,739	**2,963,407**	**3,398,020**	**1,937,636**	**1,042,309**	**-6,078,692**	**28,877,125**
1,920,121	2,357,263	2,810,381	1,591,121	782,896	-15,344	21,186,695
15,682	10,297	26	20	4,854	0	91,248
2,149,278	2,320,086	2,604,716	1,125,871	921,276	-134,663	21,423,048
23,382	53,119	31,299	50,993	7,597	-23,572	2,056,965

Upper Austria	Salzburg	Tyrol	Vorarlberg	Physicians	Consolidation	Total
19,478	24,546	22,682	12,200	6,378	58	210,667
-331	1,815	3,572	182	318	0	4,266
11,733	12,617	15,856	9,501	3,065	-17	115,054
33	-4	277	835	-4	-21	-1,571
1,675	1,650	-918	928	413	-1,835	24,572
715	16	437	44,004	300	-81,811	51,342
-30,675	-34,010	-34,749	-22,724	-10,942	83,640	-275,552
0	0	0	0	0	0	135
2,628	**6,630**	**7,158**	**44,926**	**-473**	**14**	**128,914**
-683	-1,455	-1,789	13	2,470	-8	-7,194
1,945	**5,175**	**5,368**	**44,939**	**1,997**	**7**	**121,720**
2,423,027	**2,962,365**	**3,406,578**	**2,016,483**	**1,009,326**	**-6,249,409**	**27,495,673**
1,889,566	2,339,888	2,827,071	1,617,757	777,778	-92,721	21,250,646
15,682	10,297	26	20	4,854	0	92,234
2,117,416	2,255,816	2,664,071	1,171,795	827,880	-96,391	21,729,089
23,382	52,541	38,137	58,365	11,738	-25,468	2,079,460

11) Subsequent events

As at 14 July 2020, pursuant to section 57 (1) Austrian General Administrative Procedures Act in combination with section 70 (2) (4) Austrian Banking Act, the Austrian Financial Market Authority has completely banned Commerzialbank Mattersburg im Burgenland AG ("Commerzialbank") from continuing its business operations with immediate effect. Subsequently, bankruptcy proceedings were instituted on 28 July 2020.

Within the scope of statutory legal provisions, the deposit guarantee and investor compensation scheme protects the claims of Commerzialbank customers. For the Association of Volksbanks a future financial burden in connection with the required allocation to the deposit guarantee fund will incur. The amount of any such burden is not known yet.

The Association of Volksbanks does not have any direct exposure to Commerzialbank.

12) Quarterly financial data

Euro thousand	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Net interest income	108,392	102,501	105,034	106,670	105,190
Risk provision	-48,671	-72	-19,902	-6,414	-1,902
Net fee and commission income	53,840	63,547	58,116	56,397	57,302
Net trading income	1,221	1,006	1,879	-1,245	-2,569
Result from financial instruments and investment properties	18,503	-34,710	2,466	2,392	12,567
Other operating result	-1,983	31,876	1,949	1,878	3,398
General administrative expenses	-117,110	-142,742	-136,196	-122,441	-127,411
Restructuring result	0	0	0	0	-10
Result from companies measured at equity	31	112	29	-45	92
Result for the period before taxes	**14,223**	**21,517**	**13,375**	**37,193**	**46,658**
Income taxes	-5,712	303	-18,084	-5,752	-6,667
Result for the period after taxes	**8,510**	**21,820**	**-4,709**	**31,440**	**39,990**
Result attributable to shareholders of the parent company (Consolidated net result)	**8,506**	**21,818**	**-4,725**	**31,441**	**39,987**
Result attributable to non-controlling interest	4	2	16	-1	3

Vienna, 24 August 2020

Gerald Fleischmann
Chairman of the Managing Board

Retail Branches, General Secretariat, Real Estate Financing, Communication/Marketing, Organisation & IT, HR Management, Private Banking/Treasury, Transition "Adler" & Strategy, Corporate Financing, Sales Management

Rainer Borns
Deputy Chairman of the Managing Board

Control, Financial Data Steering, Finance, Capital and Stakeholder Management, Legal, VB Infrastructure and Real Estate Facility Management, VB Infrastructure and Real Estate Property Management

Thomas Uher
Deputy Chairman of the Managing Board

Digital Transformation, Credit Risk Management, Risk Controlling, VB Services for Banks Processing, VB Services for Banks MSC/KSC and processing of loans

Area of responsibility Joint Managing Board
Compliance, Audit