2020

Disclosure in accordance with CRR

ASSOCIATION OF VOLKSBANKS

1 General information on disclosure

This document serves to fulfil the requirements pursuant to Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) for the association of credit institutions under Section 30a of the Austrian Banking Act (BWG) of the Volksbanks (Association of Volksbanks) by VOLKSBANK WIEN AG as central organisation (CO).

1.1. Scope of disclosure requirements

CRR Art 431

The Association of Volksbanks fulfils the requirements pursuant to Regulation (EU) No. 575/2013 and Directive 2013/36/EU of the European Parliament and of the Council on the basis of the consolidated financial position of the group of credit institution as at the reporting date 31 December 2020. All quantitative data are in thousands of euros unless otherwise stated.

The guidelines contained in EBA GL 2016/11 of 4 August 2017 specify the disclosure requirements under Part 8 of Regulation (EU) No 575/2013 (CRR). These specifications are provided as a guideline regarding the information to be disclosed by institutions when applying the relevant articles under Part 8, as well as with regard to their presentation. In the KP-V (capital buffer ordinance) 2018 (section 7/1), VOLKSBANK WIEN AG is defined as a systemically important institution due to its function as a central organisation under Section 30a of the Austrian Banking Act (BWG), and hence falls within the full scope of application of EBA/GL/2016/11 at association level as of 1 January 2019.

1.2. Non-essential information, business secrets or confidential information

CRR Art 432

The Association of Volksbanks generally publishes all information required under Part 8 CRR. Exceptions to this rule will be considered on a case-by-case basis, taking into account the guidelines published by the EBA.

1.3. Frequency of disclosure

CRR Art 433

Pursuant to Article 433 CRR, institutions must publish the required information at least once a year. In addition, institutions shall consider the need for any more frequent disclosure of information. To this end, the EBA prescribes thresholds above which an institution (or group of institutions) should assess the need for more frequent disclosures of certain information “in particular”. If this particular information is not disclosed more frequently than once a year, a justification for this must be provided in the annual disclosure. The above thresholds are as follows:

- the credit institution is one of the three largest institutions in its Member State of origin,
- the credit institution’s consolidated total assets exceed 30 billion euros,
- on average over four years, the credit institution’s total assets exceed 20 % of the average GDP of the Member State of origin over four years,
- the credit institution’s consolidated exposures, as referred to in Article 429 of Regulation (EU) No 575/2013, exceed euro 200 billion or an equivalent amount in foreign currency using the reference exchange rate published by the European Central Bank and applicable at the close of the financial year.

The Association of Volksbanks does not meet any of the above criteria. The analysis of the relevant characteristics of the business of the Association of Volksbanks within the meaning of Article 433 CRR (scope and range of activities, presence in different countries, exposure to different financial sectors, activity in international financial markets and participation in payment, settlement and clearing systems) does not currently suggest any need for disclosure during the year either.

As the Association of Volksbanks has been subject to the full scope of application of EBA GL 2016/11 since 1 January 2019, some of the disclosure contents contained therein are also disclosed on a quarterly or semi-annual basis.

1.4. Means of disclosure

CRR Art 434

Disclosure in accordance with Chapter 8 of the CRR is made for the Association of Volksbanks on the homepage of VOLKSBANK WIEN AG as the central organisation (CO).

2 Risk management and governance

2.1 General information on risk management

CRR Art 435(1); EU OVA

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

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

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

Risk policy principles

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

Organisation of risk management

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

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

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

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

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

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

Risk management across the Association

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

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

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

Internal Capital Adequacy Assessment Process

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

The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk bearing capacity calculation, annually for risk inventory and determination of the risk strategy). All the process steps described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current general conditions if necessary; they are approved by the Managing Board of the CO. A comprehensive revision of the Internal Capital Adequacy Assessment Process took place in 2019, due to the ECB Guide to the internal capital adequacy assessment process published in November 2018. In that respect, the risk-bearing capacity calculation and the internal stress test were enhanced.

Risk inventory

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

Risk strategy

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

The local or individual risk strategies of the affiliated banks of the Association of Volksbanks are derived from the risk strategy of the Association. The preparation of the risk strategies of the affiliated banks is supported and checked for conformity with the risk strategy of the Association by the CO, who also provides quality assurance in this respect. The local risk strategies are adopted within the affiliated banks.

Risk Appetite Statement (RAS) and limit system

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

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

- Capital ratios (e.g. CET1 ratio, T1 ratio, TC ratio, RTF)
- Credit risk ratios (e.g. NPL ratio, coverage ratio, foreign customer exposure, net allocation ratio / risk provisions, forbearance ratio)
- Interest rate risk ratios (e.g. OeNB interest rate risk coefficient, EBA interest rate risk coefficient, PVBP)
- Liquidity risk ratios (e.g. LCR, survival period)
- Ratios relating to operational risk (e.g. OpRisk losses in proportion to CET1, ICS implementation rate)
- Other risk-relevant ratios (e.g. CIR, leverage ratio, compliance ratio)

The aggregate bank risk limit serves as the economic risk limit. This is stated as the maximum share of the available risk covering potentials (in %) that the Association of Volksbanks intends to provide to cover financial, quantifiable risks.

Risk-bearing capacity calculation

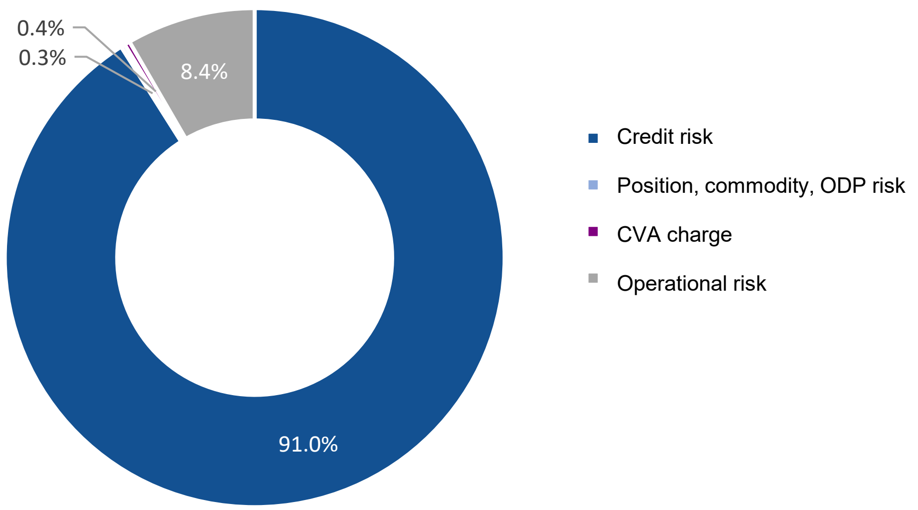
The risk-bearing capacity calculation constitutes a central element within the implementation of the ICAAP. It is used to provide evidence of the fact that the risks assumed are sufficiently covered by adequate internal capital at all times and to ensure such cover in the future. For this purpose, all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

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

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

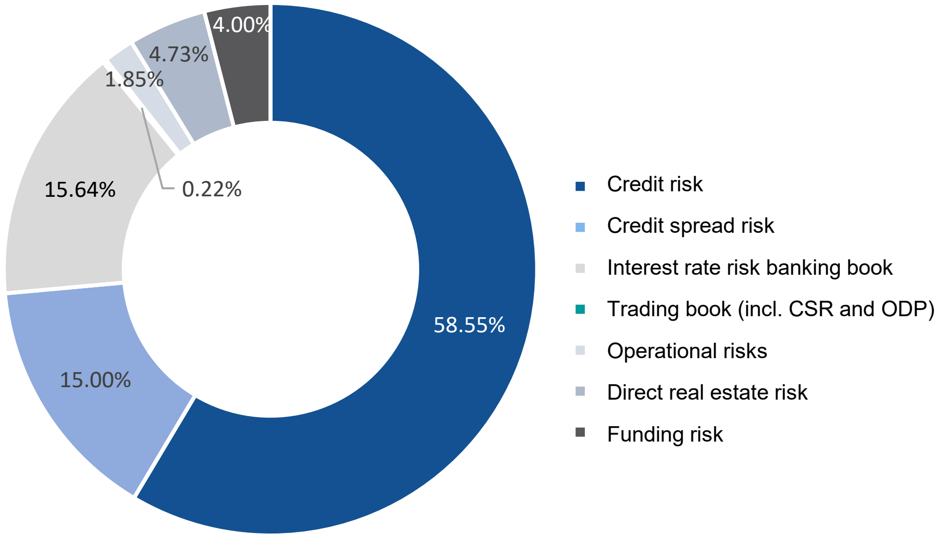
The regulatory Pillar 1 perspective compares the total risk exposure amount calculated in accordance with applicable legal provisions with regulatory own funds. Ensuring regulatory risk-bearing capacity is provided for under the law and constitutes a minimum requirement. The composition of the regulatory total risk position of the Association of Volksbanks corresponds to that of any regionally active retail bank.

The distribution of risks from a regulatory perspective is the following as at 31 December 2020:



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

The distribution of risks from an economic perspective is the following as at 31 December 2020:



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

Stress testing

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

Apart from these risk-type-specific stress tests and sensitivity analyses, internal stress tests are regularly carried out across risk types. The semi-annual internal stress test consists of scenario analyses, sensitivity analyses and the reverse stress test. In the scenario analyses, economic crisis scenarios are defined and changed risk parameters for the individual risk categories and areas of business derived therefrom. Apart from the risk aspect, the effects of crisis scenarios on regulatory own funds and the internal capital under the economic perspective are determined as well. At this point, the requirements of the normative perspective overlap with the requirements regarding scenario analyses for the internal stress test: the development of regulatory own funds ratios is simulated for various crisis scenarios over a period of several years. Based on the findings of the internal stress tests, recommended actions are defined and transposed into measures. For instance, the reporting framework was extended by new aspects, high-risk industries monitored more closely, and planning targets derived for strategic risk indicators.

At present, EU-wide stress tests across risk types are being carried out by the EBA/ECB every two years, with the Association of Volksbanks participating. The next EBA/ECB stress test will take place in 2021, after the stress test planned for 2020 was postponed due to COVID-19. The results of the stress tests are used by the ECB to assess the capital requirement within the SREP. In the years between the EBA/ECB stress tests across risk types, the supervisory authority performs risk-specific stress tests. Therefore, the Association of Volksbanks participated in the liquidity stress test in 2019.

Recovery and resolution planning

As the Association of Volksbanks was classified as a significant institution in Austria, the Association must prepare a recovery plan and submit the same to the European Central Bank. This recovery plan is updated at least once a year and takes into account both changes of the bank's business activities and changes with respect to regulatory requirements.

2.2 Information on risk management objectives and policies by risk category

Credit risk

CRR Art 435(1), EU CRA

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

Credit risk management organisation

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

Operational credit risk management

Lending principles

- Loan transactions are necessarily based on decisions involving borrower-specific limits. The determination and monitoring of certain limits is subject to uniform regulations at the level of the Association.
- The rating obligation applies to all borrowers with exposures above the defined minimum amount. The rating process is based on the dual-control principle and is applicable across the Association.
- In selecting collaterals, attention is paid to the cost-benefit ratio, and therefore recoverable collaterals that cause little administrative effort and are not very cost-intensive will preferably be resorted to, as well as actually realisable collaterals. For this reason, physical collaterals, such as real estate collaterals, and financial collaterals, such as cash collaterals or collaterals in the form of securities, are given priority. The recoverability and enforceability of collaterals must basically be assessed prior to any credit decision. Principles for the management of collaterals and uniform rules for the selection, provision, administration and valuation of collaterals apply at the level of the Association.
- Foreign currency and repayment vehicle loans are basically no longer offered or granted.
- The principal market for lending business is the Austrian market.
- Syndicated credits will usually be concluded together with the CO.

Decision-making process

In all units of the Association of Volksbanks that generate credit risk, there is a strict separation of sales and risk management. All decisions in individual instances are made strictly observing the dual control principle, with clear processes having been established for the cooperation between the risk management units in the CO and the members of the Association of Volksbanks. For transactions involving large volumes, processes have been set up that ensure the involvement of the operational credit risk management function of the CO and of the CO Managing Board in the risk analysis and/or loan decision. Limit systems play an important role in this context, as they provide a framework for the decision-making powers of the individual units.

Monitoring of exposures and collaterals

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

Limits

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

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

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

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

Intensified credit risk management

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

Early identification (EWS)

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

Dunning procedure

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

Forbearance

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

Default identification

The process of default identification serves to recognise defaults in time. A customer is deemed defaulted if there is a default of performance pursuant to the CRR of more than 90 days, and/or if complete settlement of the debt is considered unlikely without realising any collaterals. The Association of Volksbanks has defined 13 possible types of default event that are used for the consistent classification of default events across the Association. Among others, default identification also builds on the early warning and forbearance processes described above. Additionally, there are other (checking) processes, e.g. the analysis of expected cash flows within the regular or event-driven exposure checks, which may trigger classification to a default category.

Problem Loan Management

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

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

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

Management of the COVID-19 crisis

In Austria, in mid-March or in the course of the second wave of infections that began in early November, strict containment measures were put in place, temporarily reducing economic activity sharply, coupled with income and sales losses for employees, the self-employed and businesses, as well as a sharp rise in unemployment, which was partially cushioned by a short-time work programme. The long-term effects on the economy and the labour market are currently difficult to assess.

Customers of the Association of Volksbanks were granted relief measures due to COVID-19 in order to counter liquidity bottlenecks and to cope with existence-threatening circumstances. These measures include various kinds and forms of deferments, term extensions, bridging loans, and increases of overdraft facilities for existing customers. Most of the bridging loans are secured by guarantees from the state package of measures and were granted with a maximum term of 3 to 5 years.

Deferments are largely subject to the conditions of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments and the statutory moratorium for private customers and micro-entrepreneurs adopted by the Austrian government. The legal moratorium was put into effect on 4 April 2020, in a first phase valid for 3 months until 30 June 2020. As a result, the legal moratorium was extended by the Austrian government for a further 4 months until 31 October 2020 and for the last time until 31 January 2021.

The Association of Volksbanks participated in the private moratorium of the Austrian banking sector for Retail and Corporate customers; the agreed deferral measures have a maximum term until 31 March 2021.

Accounts with COVID-19-related measures are flagged, and the COVID-19-induced portfolio is monitored closely on an ongoing basis. A separate monitoring process has been set up in the Association of Volksbanks for borrowers whose accounts show COVID-19 concessions.

Quantitative credit risk management

Measurement and control of credit risk

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

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

Rating systems

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

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

Credit value at risk

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

Concentrations

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

Credit risk mitigation

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

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

Credit risk reporting

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

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

The following analyses are part of the monthly report:

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

For the COVID-19-induced portfolio, weekly monitoring based on up-to-date information was set up in order to continuously track developments and to be able to implement measures promptly.

Counterparty credit risk

CRR Art 435(1) and Art 439 (a) to (d), EU CCRA

For the purpose of reducing the counterparty risk of derivative transactions, the Association of Volksbanks uses credit risk mitigation methods such as netting and exchange of collaterals. The Association has concluded standardised ISDA framework agreements for bilateral netting and a corresponding Credit Support Annex (CSA) with all financial counterparties. Derivatives according to Regulation (EU) No. 648/2012 must be cleared via a CCP (Central Counterparty). VB WIEN is not directly connected to a CCP, but is connected via a clearing broker. The netted fair values of the derivative transactions are reconciled daily with the relevant counterparties. If the fair values exceed certain contractually agreed thresholds, such excess amounts must be covered by collaterals. These collaterals are recognised in regulatory terms and reduce the risk.

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

CRR Art 439 (a)

In the treasury business, the credit risk should generally be minimised. The basis for this is an independent credit rating and a line system derived from it, as well as the ongoing monitoring process.

The maximum amount of the total bank lines granted per respective economic unit is determined by

- the credit rating (internal rating) and
- own funds

The counterparty risk of derivatives is accounted for on the basis of the Current Exposure Method (CEM; fair value, if positive, + AddOn) in accordance with CRR Article 274.

The add-ons, which depend on the residual term of the transaction, represent a premium intended to cover future fluctuations in fair value.

CRR Art 439 (b)

Risk-reducing measures (netting and collaterals received) are based on bilateral agreements (e.g. ISDA Agreement – Credit Support Annex, Master Agreement for Financial Futures – Collateral Annex, Global Master Repurchase Agreement, Master Agreement for Genuine Repurchase Agreements, Global Master Securities Lending Agreement, Master Agreement for Securities Lending). If the sum of the fair values of a counterparty's OTC derivatives is positive, there is a replacement risk. A daily valuation of the derivatives is performed. The adjustment of the collaterals to the current fair values is coordinated and performed together with the contractual partners on a daily basis. Only cash collaterals in EUR and USD are accepted as collaterals for OTC derivatives. Based on "legal opinions" for the respective legal system of the individual counterparties, the realisability of the deposited collaterals and their further use are ensured in the event of bankruptcy of the contracting party. Cash and government bonds of issuers with high credit ratings are accepted as collaterals for repo and lending transactions. The reciprocal margin call on a daily basis ensures full collateralisation, and therefore no further reserves are created. The counterparty risk for fair values from unsecured derivatives is taken into account by way of credit value adjustments (CVA). The expected future exposure (EFE) is determined by means of the Monte Carlo method.

CRR Art 439 (c)

No correlation risks are calculated with regard to counterparty credit risk.

CRR Art 439 (d)

The existing collateral agreements do not include any rating dependency for the independent amount, threshold or minimum transfer amount. Therefore, in the event of a rating downgrade, there is no additional call liability.

Market risk

CRR Art 435(1), EU MRA

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

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

No material market risks or concentration risks exist beyond that. Monitoring of the market risk is carried out in the market and liquidity risk control department of the Risk Control division, which is separate, in organisational terms, from the Treasury division on the level of the Managing Board.

<u>Credit spread risk</u>

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

The transactions relevant to credit spread risk are own investments, and not loans and receivables to customers. These essentially comprise bonds, funds as well as bonded loans. This securities portfolio in the banking book of the Association of Volksbanks is primarily held as a liquidity buffer, centrally at VBW. CDS positions would also have to be included, but currently do not exist within the Association. Reporting takes place monthly within the ALCO and is part of the aggregate bank risk report.

Risk measurement is mainly effected via credit spread VaR and sensitivity to any increase in credit spreads by 100 bps. The calculation of the credit spread VaR is based on a historical simulation for a 99.9 % confidence level. In the process, the portfolio is divided into 25 risk clusters, depending on credit rating, branch of industry, type of product and seniority. The VaR is included in the ICAAP as part of the risk-bearing capacity calculation.

In line with the investment strategy, the securities portfolio in the banking book is held centrally at the CO, mainly as a liquidity buffer, and includes highly liquid public sector bonds and covered bonds with a high credit rating. It is eligible for the regulatory liquidity coverage ratio (LCR) for the major part.

Concentration risk

Concentration risks can arise at the level of issuers or risk clusters in case of similar issuers. Within credit spread risk, risk clusters are monitored.

Market risk in the trading book

The market risk in the trading book of the Association of Volksbanks is of minor importance. The trading book is kept centrally at the CO. The affiliated banks do not keep a trading book. The main function of the trading book is that of a transformer, where smaller batches from retail banking are collected and dynamically hedged in the market. Additionally, Treasury takes market risks within the scope of the limits approved, in order to produce corresponding income. In 2020, the trading book volume was significantly reduced. It is now permanently below the regulatory threshold of euro 500 million (Article 325 CRR). The reduction was achieved through an inventory adjustment. In the process, internal transactions from previous years were reclassified to the banking book and are now no longer carried in the trading book.

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

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

The regulatory capital adequacy requirements of the trading book are calculated by means of the standardised approach – the Association of Volksbanks does not use any internal model for market risk in the trading book.

Since extreme situations are not covered by the VaR, comprehensive stress tests are carried out monthly or ad hoc across all portfolios in the trading book.

The systems used ensure the daily unbiased valuation of the trading book items.

Foreign exchange risk (open FX positions)

The foreign exchange risk from open FX positions is of subordinate importance within the Association of Volksbanks. It arises due to changes of the value of outstanding receivables and liabilities in foreign currencies through exchange rate fluctuations.

Other valuation risks (IFRS fair value change)

Receivables that do not meet the SPPI criteria must be designated as fair value through P&L and must be measured. Due to fair value fluctuations of these receivables, this causes an IFRS effect on the income statement. During valuation of these receivables, the cash flows are discounted using the swap curve plus premiums. The mark-ups are the standard risk costs and the liquidity costs. The remaining components are summarised in one factor (epsilon factor) upon conclusion of the deal, and frozen for subsequent measurement. This measurement risk is considered within the scope of the risk-bearing capacity calculation and the internal stress test. Reporting takes place monthly within the ALCO.

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

Interest rate risk from positions not included in the trading book

CRR Art 435(1) a)-d) and CRR Art 448 a), b)

Interest rate risks emerge primarily through term transformation, which arises from different fixed interest rates between assets and liabilities. Term transformation is a source of income for the bank in the form of a structural contribution.

The interest rate risk in the banking book comprises all interest-bearing transactions reported and not reported in the balance sheet, except for transactions in the trading book. The interest rate risk position associated with the retail business of the Association of Volksbanks mainly arises from index-linked loans and non-maturing deposits (in the form of sight and savings deposits), as well as from implicit floors, in both the assets side and the liabilities side retail business. In the loan portfolio, this has been associated with a shift from index-linked positions towards fixed-interest positions for some years now, as increasingly fixed-interest loans are granted within new business. By controlling the growth of fixed-interest volumes, the gradual development of a rolling fixed-interest position over several years is ensured. Other decisive factors are bond positions of the bank's own portfolio, own issues and the interest-rate swaps used to control the interest rate position. Variable-interest retail business is included in interest rate risk modelling by way of replication assumptions, in order to show price sensitivity to interest rate changes (e.g. for sight/savings deposits, current account overdrafts, loans "until further notice" etc.). Both layer hedges for fixed-interest loan portfolios and micro hedges for securities positions, issues and individual loans can be used for management purposes – under both IFRS and the Austrian Business Code (UGB).

Interest rate risk is controlled within the scope of dual control, both under a present-value perspective and under a periodic/income statement perspective. The same interest rate scenarios are used consistently for both perspectives. In doing so, implicit floors in retail banking are also taken into account in both perspectives, as said floors constitute material risk drivers considering the currently low interest rate level.

The Association of Volksbanks shows a positive interest rate term transformation at the end of 2020. In 2020, the present-value interest rate risk, measured using the OeNB interest rate risk coefficient (according to VERA reporting), was consistently below 7 % of own funds, which is clearly below the regulatory outlier definition of 20 %. The EBA interest rate risk coefficient (according to EBA GL on interest rate risk) was consistently below 9 % in 2020 and thus also well below the reportable threshold of 15 %. The EBA coefficient represents the bottleneck factor in the control system.

The Asset Liability Committee (ALCO) of the CO is responsible for controlling the interest rate position of the Association of Volksbanks within the scope of risk limits defined by Risk Control and approved by the Managing Board via the risk strategy. The ALCO is convened monthly at the CO or ad hoc as required. The Asset Liability Management (ALM) function of the CO, which belongs to the Treasury function in organisational terms, is responsible for the management of the ALCO. Proposed measures to control the interest rate position are worked out by the ALM function in cooperation with Risk Controlling and the local ALCOs of the affiliated banks. The aim is to create a structural contribution by way of positive term transformation. Interest rate risk reporting within the ALCO is taken care of by the Market and Liquidity Risk department of the CO.

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

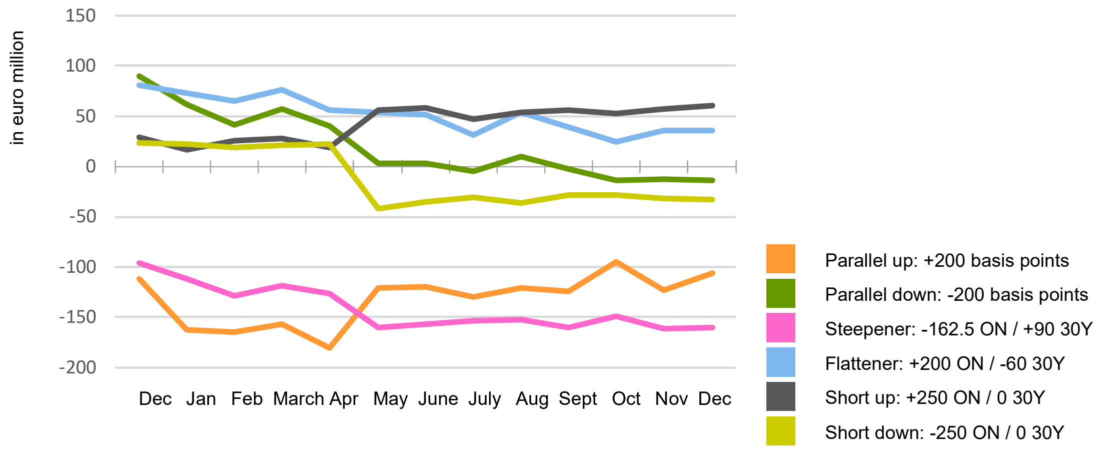


Illustration: Net interest income simulation of the Association of Volksbanks in 2020

In both perspectives (present value and periodic), positions without fixed interest rates (e.g. in the form of sight and savings deposits, current account facilities) are included consistently in the risk measurement process by assuming replication and/or rolling. The assumptions are determined on the basis of statistical analyses, supplemented by expert opinions. Modelling aims to describe the development of customer interest rates depending on market interest rates. This is done on the basis of historically observed correlations (minimising the volatility of the margin compared to a combination of reference interest rates). The modelling of an interest rate floor for savings deposits and current account receivables was also included in this modelling in 2020, as their interest rates cannot fall below 0 %. Due to the high proportion of positions with indefinite interest rate periods within the balance sheet, replication modelling has a significant impact on the measurement of interest rate risk, in particular present value interest rate risk measurement.

Early redemptions (“prepayments”) in the loan portfolio have also been included in the interest rate risk calculation since 30 June 2019. The prepayment rates determined on the basis of historical data are applied uniformly throughout the Association and are taken into account consistently in the present-value and periodic risk calculations.

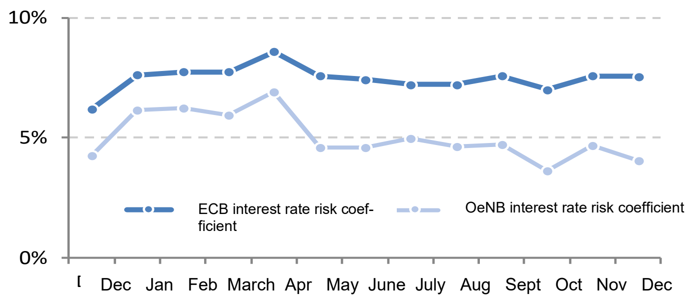


Illustration: EBA and OeNB interest rate risk coefficient of the Association of Volksbanks in 2020

Compared to the end of 2019, the coefficient has increased slightly due to continued fixed-interest loan growth. Growth in fixed-interest loans was hedged in part. The aforementioned model extension of the interest rate replicates to include interest rate floors in May 2020 shows a stabilisation of the coefficient, as it is now much less dependent on the interest rate level.

Interest rate risk arises predominantly in euro. Other currencies are of minor importance.

Currency	Change in present value in euro
EUR	-102,966,041
CHF	-7,486,100
USD	2,625,298
CAD	236,587
Others	909

Illustration: Change in present value by currency at +200 BP – Association of Volksbanks as at 31 December 2020

The interest income risk as at 31 December 2020 of euro 23 million (for the next 12 months) still constitutes the risk of falling interest rates, in particular short-term interest rates, and is relatively low due to the already very low level of interest rates, as EBA scenarios involving further interest rate cuts are limited.

Liquidity risk

CRR Art 435(1), EU LIQA, EU LIQ1

Liquidity risk management – set-up in the Association of Volksbanks and the role of Volksbank Wien

The management of liquidity risk within the Association of Volksbanks is based on Section 30a of the Austrian Banking Act and Article 10 of the CRR, the Association Agreement and the cooperation agreement. The Association of Volksbanks is characterised by a strong cohesion of closely linked members. The central organisation (CO) of the Association of Volks-banks forms a joint liability system with the other members of the Association. This obliges the affiliated banks to jointly support distressed members.

Within the Association of Volksbanks, VBW performs the role of CO. As the CO, it has far-reaching management and control rights for the entire Association of Volksbanks. These include central capital, funding, liquidity and risk management and the right to issue both general and individual instructions to the affiliated credit institutions.

As the CO of the Association of Volksbanks, VBW is responsible for liquidity management across the entire Association and acts as “lender of last resort” for the affiliated banks. The affiliated banks cover their refinancing requirements and invest their excess liquidity via VBW.

The most important source of refinancing of the Association of Volksbanks consists of customer deposits, which have proven to be a stable source of funding in the past. Obviously, this is responsible for the major part of liquidity risk. The capital market provides VBW with additional opportunities for refinancing through securities issues, mainly covered bonds.

Both operational, short-term liquidity management and medium- to long-term liquidity management are performed in a centralised manner at VBW for the Association, in the Treasury division, through the Liquidity Management department. The monitoring and limitation of liquidity risk across the Association, as well as the methodological requirements regarding risk measurement are performed or stipulated by the Market and Liquidity Risk Controlling department at VBW.

The ALCO is responsible for controlling the liquidity position of VBW within the scope of risk limits defined by Risk Control and approved by the Managing Board within ALCO. The ALCO of the CO is the central body for the management of liquidity risks. Liquidity risk reporting within ALCO is taken care of by the Market and Liquidity Risk Control department.

In order to take account of the high degree of centralisation in liquidity risk, VBW has defined a centralised ILAAP (Internal Liquidity Adequacy Assessment Process) at Association level. The ILAAP is defined as the totality of all internal procedures, methods and processes to ensure adequate liquidity within the Association of Volksbanks at present and in the future – even under stress conditions – and to meet all supervisory and regulatory requirements for liquidity risk. In particular, the ILAAP comprises the definition of strategies (liquidity and funding strategy as well as liquidity risk strategy), liquidity/funding planning, liquidity cost allocation, operational liquidity management, liquidity buffer management, emergency liquidity management and liquidity risk control. In accordance with the central nature of the ILAAP, these activities are performed centrally in VBW and affect the entire Association.

Characteristics of liquidity risk

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

Roles and responsibilities

The Liquidity Management department in the Treasury division is responsible for operational liquidity management. The department is the central unit within the Association of Volksbanks for matters regarding the pricing of liquidity (transfer pricing), the central management of collaterals across the Association, the determination of the funding structure, the disposition of available liquid funds, and compliance with the refinancing strategy; it takes care of the following essential duties:

- Cash management (settlement of all transactions of the Association as well as disposition of the banking connections maintained by VBW)
- Collateral management: ECB-eligible collateral of the Association (bonds and credit claims)
- Issue planning
- Daily liquidity projection for the following 31 days, and weekly for the following 12 months
- Monitoring of refinancing positions of the Association of Volksbanks, and the control system put into effect by VBW as CO with the approval under Section 30a of the Austrian Banking Act, for the affiliated banks – a.o. liquidity reports, refinancing management, utilisation of collaterals, early warning system
- Compliance with minimum reserve regulations for the Association of Volksbanks
- Reporting to the CO Managing Board and to the ALCO
- Daily liquidity reporting of affiliated banks and ALCO reports
- Monitoring of Asset Encumbrance Ratio

The Market and Liquidity Risk Control department in the Risk Control division is responsible for identifying, modelling, measuring, limiting, monitoring and reporting all material liquidity risks as well as the related data management. In this function, Liquidity Risk Control is responsible for defining, reconciling, implementing, monitoring and reporting the RAS indicators relevant to liquidity risk. Liquidity Risk Control is also responsible for the design, parameterisation, calculation and reporting of liquidity stress test requirements. Another key function is the ongoing preparation of liquidity reports (e.g. LCR, NSFR, ALMM, SREP data collection) to meet regulatory reporting requirements.

The general conditions for managing the liquidity position of VBW and the Association of Volksbanks are specified via the Asset Liability Committee (ALCO). The ALCO is conducted on a monthly basis and is the central body for liquidity risk management. Liquidity risk reporting within ALCO is taken care of by the Market and Liquidity Risk Control department. In addition to the ALCO, the monthly Risk Committee, the weekly liquidity jour fixe and (limited to liquidity emergencies) the liquidity emergency committee and the liquidity crisis committee are also relevant for the liquidity risk process of VBW.

Measures for managing, mitigating and monitoring liquidity risk

The liquidity position for the association is managed within the framework of limits that are defined and monitored by Liquidity Risk Control and approved by the Managing Board of VBW. The addressee of the limits is the liquidity management department. In the case of limits for illiquidity risk, a distinction is made between RAS indicators (LCR, NSFR and survival period) and other operational limits and additional RAS indicators. The operational limits and additional RAS indicators are aimed in particular at avoiding funding-side concentrations at the short end in euro and material foreign currencies (CHF). The RAS indicators as well as the operational limits and additional RAS indicators are calculated, monitored and reported by Liquidity Risk Control on a weekly basis. In addition, monthly ALCO reporting is carried out with a presentation of the limit utilisation. The funding risk is limited and monitored as part of the risk-bearing capacity calculation for the ICAAP. There were no limit violations for VBW in 2020.

The Liquidity Management department controls refinancing transactions and investments as well as the permissible extent of liquidity term transformation within the Association of Volksbanks by means of the principles of liquidity management, which are binding throughout the Association, and other guidelines. The annual funding plan makes the future liquidity requirements resulting from the multi-year plan transparent and is actively managed by the Liquidity Management department.

Another key management measure is the liquidity transfer pricing system, which is used to allocate liquidity costs and liquidity risk costs to the units that consume and provide liquidity. The liquidity contingency plan defines the processes and responsibilities in the event of a liquidity emergency and defines the measures that can be implemented in a liquidity emergency to overcome the liquidity crisis. In addition, a set of emergency early warning indicators has been defined and is monitored and reported on daily.

Risk measurement and reporting

The risk measurement and limitation of illiquidity risk is effected through the regulatory indicators LCR and NSFR, the survival period from internal liquidity stress testing, and through additional operational indicators. The LCR aims to ensure the short-term financial solvency of banks under stressed conditions over a short-term horizon of 30 calendar days. The calculation of the LCR takes place weekly and at the end of the month in the Market and Liquidity Risk Control department. The NSFR limits the liquidity term transformation by determining a minimum of stable refinancing, depending on the liquidity characteristics of the assets and other off-balance sheet transactions of a bank. Currently, the calculation takes place weekly and on the last day of each quarter in the Market and Liquidity Risk Control department within the Association. The survival period is the period during which, under a given stress scenario, the liquidity buffer held is sufficient to cover cumulated net liquidity outflows. Currently, five stress scenarios of varying degrees of severity are calculated. The scenario assumptions include a crisis of the Volksbank sector, a national banking crisis and pan-European stressed market conditions. The least favourable of the scenarios calculated is applied to the survival period.

The funding risk is measured by way of a scenario analysis that takes into account the effect on funding costs, considering general planning uncertainties and adverse idiosyncratic conditions. These calculations provide input to the ICAAP as well as stress testing activities across the Association.

Adequacy of liquidity and liquidity risk management

As part of the annual SREP (Supervisory Review and Evaluation Process), the Managing Board of VBW submits the "Liquidity Adequacy Statement" (LAS) to the supervisory authority, which contains statements on the adequacy of liquidity risk management and the liquidity situation of the Association of Volksbanks. The LAS assesses the liquidity position of the Association of Volksbanks as adequate and the liquidity risk management as solid and robust. The adequacy of the liquidity position is determined in particular by the amount of the liquidity buffer held.

The liquidity buffer used to calculate the survival horizon as at 31 December 2020 was euro 7,9 billion with a survival horizon of 10 months in the most serious stress scenario. The liquidity buffer eligible for the LCR (High Quality Liquid Assets) amounted to around euro 6.1 billion with an LCR of 194 %.

Due to the retail business model, VBW has a stable liabilities side mainly in the form of customer deposits from private customers and SMEs. Customer deposits are highly diversified with no significant concentrations. Due to the nature of its business model, the Association of Volksbanks only refinances itself to a limited extent on the money and capital markets.

EU LIQ1 – LCR disclosure template on quantitative information on the LCR supplementing Art. 435(1)(f) of the CRR

	Scope of consolidation (solo/consolidated)	Unweighted total value (average)				Weighted total value (average)			
	Currency and units	euro million				euro million			
	Quarter ends on	31.03.2020	30.06.2020	30.09.2020	31.12.2020	31.03.2020	30.06.2020	30.09.2020	31.12.2020
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH QUALITY LIQUID ASSETS									
1	High quality liquid assets (HQLA) total					3,861	4,031	4,545	5,036
CASH OUTFLOWS									
2	Retail deposits and deposits from small corporate customers, of which:	15,394	15,452	15,547	15,653	1,030	1,030	1,032	1,036
3	stable deposits	12,170	12,235	12,327	12,421	609	612	616	621
4	less stable deposits	3,223	3,217	3,220	3,232	421	418	416	415
5	unsecured wholesale funding	4,484	4,570	4,717	4,822	1,682	1,723	1,796	1,854
6	operating deposits (all counter-parties) and deposits in net-works of cooperative banks					-	-	-	-
7	non-operating deposits (all counterparties)	4,474	4,558	4,704	4,813	1,673	1,711	1,783	1,845
8	unsecured liabilities	10	12	13	9	10	12	13	9
9	secured wholesale funding					8			
10	additional requirements	2,069	2,104	2,148	2,179	210	206	204	202
11	outflows in connection with de-rivative positions and other col-lateral requirements	61	54	48	43	61	54	48	43
12	outflows in connection with the loss of financing on debt instru-ments	-	-	-	-	-	-	-	-
13	credit and liquidity facilities	2,008	2,051	2,100	2,136	149	152	156	159
14	other contractual financing obli-gations	39	18	29	40	0	0	0	0
15	other contingent liabilities	1,713	2,056	2,042	2,004	77	88	84	76
16	**TOTAL CASH OUTFLOWS**					3,007	3,048	3,115	3,167
CASH INFLOWS									
17	Collateralised loans (e.g. reverse repos)	8	-	-	-	1	-	-	-
18	Inflows from derecognized posi-tions	156	158	155	152	85	86	85	84
19	Other cash inflows	366	350	349	337	86	85	91	88
20	TOTAL CASH INFLOWS	530	508	505	489	172	171	176	171
EU 20a	Fully exempted inflows	-	-	-	-	-	-	-	-
EU 20b	Inflows subject to a 90 % ceiling	-	-	-	-	-	-	-	-
EU 20c	Inflows subject to a 75 % ceiling	530	508	505	489	172	171	176	171
						ADJUSTED TOTAL VALUE			
21	LIQUIDITY BUFFER					3,861	4,031	4,545	5,036
22	TOTAL NET CASH OUTFLOWS					2,836	2,876	2,939	2,995
23	LIQUIDITY COVERAGE RATIO (%)					136.2 %	140.2 %	154.6 %	168.1 %

Operational risk

CRR Art 435(1) and Art 446

The Association of Volksbanks defines operational risk as the risk of losses due to the inadequacy or failure of internal procedures (processes), people, systems or to external events, and the associated legal risks. The reputational, conduct, model, IT and security risks are closely associated with operational risk and are actively taken into account. The calculation of regulatory capital adequacy requirements is effected using the standardised approach. An internal method based on loss data and scenarios is used for the economic perspective.

Organisation

Within the Association of Volksbanks, line management is responsible for the management of operational risks (OpRisk Management). It is supported in this function by centrally and decentrally based experts from the spheres of operational risk and internal control system. The aim is to optimise processes in order to reduce the probability of the occurrence of operational risks and/or to reduce the effect of operational losses. Co-operation across departments (in particular with Compliance, Internal Audit, as well as Security & Outsourcing Governance) allows for optimal and comprehensive control of operational risks.

Methods for the management of operational risks

Within the scope of operational risk management, both quantitative and qualitative methods are used. Quantitative elements comprise – for instance – the execution of risk analyses, the performance of stress tests, the determination and monitoring of risk appetite and of the risk indicators, as well as the preparation of the operational risk event database. Qualitative control measures are reflected in the implementation of training events, awareness building measures, risk analyses, root cause analysis as part of the operational risk event database, the implementation of uniform ICS checks, as well as in risk reporting.

If the key indicators defined for operational risk are exceeded, the defined escalation process is applied. This process provides for a detailed analysis of causes and subsequently initiation of adequate measures.

The following principles, derived from the risk strategy, apply in OpRisk Management within the Association of Volksbanks:

- The primary aim of the entire OpRisk Management system is to optimise processes to decrease the likelihood of incidents occurring and/or the impact of operational losses.
- Operational risk events are documented fully and in a sufficiently transparent manner via an electronic platform to enable third-party experts to benefit from the documentation. Operational risk events are recorded in a uniform manner across the Association. The resulting transparency with respect to the occurrence of operational risk events allows for risk assessment to be derived from historical facts.
- The methods, systems and processes in OpRisk Management are defined by the CO and must be complied with by the respective banks.
- The appropriateness of the risk control and monitoring measures and other risk-minimising measures is assessed on an on-going basis, but at least once a year, and reported to the Managing Board. Measures for risk control comprise, for instance, awareness-building measures/training events, the monitoring of the OpRisk indicators, maintaining the confidentiality, availability and integrity of customer and corporate data, as well as business continuity planning, but also – in particular – the adequate separation of responsibilities, as well as observance of the dual-control principle. (Residual) operational risks that cannot be avoided, reduced or transferred must be accepted formally and demonstrably by the management.
- The efficiency of OpRisk Management is confirmed through periodic and independent internal audits.

Internal control system

Within the Association of Volksbanks, an internal control system (ICS) has been put in place according to the principles of the internationally recognised standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Detailed descriptions of ICS processes and control measures are available. The responsibilities and roles relating to the ICS are clearly defined. Regular reporting takes place for the ICS. Control activities are documented and reviewed, ICS-relevant risks are regularly evaluated and adjusted. Accordingly, a continuous optimisation process is ensured. Internal Audit, in its capacity as independent supervisory body, audits the ICS. Both the effectiveness and adequacy of the ICS, as well as compliance with instructions are audited. The OpRisk and ICS framework describes the inter-related components implemented within the Association of Volksbanks with a view to identifying, measuring, monitoring and controlling operational risk. The close interlocking of OpRisk Management with the internal control system ensures appropriate consideration of operational risks within the Association of Volksbanks.

2.3 Information on corporate governance arrangements

Number of management and supervisory functions held by members of the management body

CRR Art 435(2) a)

The members of the Managing Board and of the Supervisory Board (capital representatives) of VOLKSBANK WIEN AG and of the banks affiliated to the Association of Volksbanks held the following number of management and supervisory positions as at 31 December 2020.

Activities in a management function or as a member of a supervisory board in organisations which do not predominantly pursue commercial objectives within the meaning of Sections 5(1)(9a) and 28(5)(5) of the Austrian Banking Act shall not be taken into account.

VOLKSBANK VIENNA AG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Gerald Fleischmann	Managing Board	4	2	3	1
Rainer Borns	Managing Board	8	2	3	1
Thomas Uher	Managing Board	2	0	3	1
Anton Fuchs	Supervisory Board	1	1	1	0
Christian Lind	Supervisory Board	3	1	1	1
Eva Schütz	Supervisory Board	2	1	5	2
Franz Gartner	Supervisory Board	2	2	9	0
Harald Nograsek	Supervisory Board	2	1	1	0
Helmut Hegen	Supervisory Board	1	1	2	1
Heribert Donnerbauer	Supervisory Board	3	0	4	1
Monika Wildner	Supervisory Board	3	1	1	0
Robert Oelinger	Supervisory Board	3	1	0	0
Susanne Althaler	Supervisory Board	3	2	0	0
Bettina Wicha	Supervisory Board (WC)	3	2	1	0
Christian Rudorfer	Supervisory Board (WC)	1	1	0	0
Elisabeth Sölkner	Supervisory Board (WC)	1	1	0	0
Hermann Ehinger	Supervisory Board (WC)	1	1	0	0
Manfred Worschischek	Supervisory Board (WC)	1	1	0	0

Österreichische Ärzte- und Apothekerbank AG					
		Supervisory function		**Management function**	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Helmut Kneissl	Managing Board	0	0	1	1
Anton Pauschenwein	Managing Board	4	2	1	1
Markus Partl	Managing Board	1	0	1	1
Gerhard Schobesberger	Supervisory Board	2	2	3	1
Gerhart Bachmann	Supervisory Board	1	1	2	0
Gottfried Bahr	Supervisory Board	4	2	3	1
Herwig Lindner	Supervisory Board	1	1	2	0
Johann Steindl	Supervisory Board	1	1	1	0
Johannes Zahrl	Supervisory Board	1	1	0	0
Jörg Krainhöfner	Supervisory Board	1	1	0	0
Leopold Schmudermaier	Supervisory Board	2	1	3	1
Markus Metzl	Supervisory Board	1	1	1	1
Martin Hochstöger	Supervisory Board	2	1	3	1
Rainer Borns	Supervisory Board	8	2	3	1
Suzana Madzarevic	Supervisory Board	1	1	0	0
Sven Abart	Supervisory Board	2	1	1	0
Walter Ebm	Supervisory Board	1	1	14	3
Wolfgang Nowatschek	Supervisory Board	1	1	1	1
Christiane Hörhager	Supervisory Board (WC)	1	1	0	0
Elisabeth Rigl	Supervisory Board (WC)	1	1	0	0
Helmut Grüssinger	Supervisory Board (WC)	1	1	2	2
Joseph Haas	Supervisory Board (WC)	1	1	0	0
Petra Fuchs	Supervisory Board (WC)	1	1	0	0

Volksbank Salzburg eG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Andreas Hirsch	Managing Board	1	1	1	1
Andreas Höll	Managing Board	6	1	3	1
Anton Fischer	Supervisory Board	1	1	3	1
Christina Spatzenegger	Supervisory Board	1	1	2	2
Karl Wilfinger	Supervisory Board	1	1	0	0
Martin Winner	Supervisory Board	1	1	10	2
Roland Reichl	Supervisory Board	1	1	0	0
Simon Kornprobst	Supervisory Board	1	1	3	2
Andreas Weber	Supervisory Board (WC)	1	1	0	0
Bettina Wintersteller	Supervisory Board (WC)	1	1	0	0
Gerhard Mayr	Supervisory Board (WC)	1	1	0	0

Volksbank Kärnten eG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Johannes Jelenik	Managing Board	4	1	3	1
Alfred Holzer	Managing Board	1	1	4	1
Anton Vrann	Supervisory Board	1	1	1	1
Farhad Paya	Supervisory Board	1	1	1	1
Gerald Fleischmann	Supervisory Board	4	2	3	1
Gerald Rainer-Harbach	Supervisory Board	1	1	3	1
Ingrid Taferner	Supervisory Board	1	1	4	2
Lorenz Plasch	Supervisory Board	1	1	0	0
Marco Egger	Supervisory Board	2	2	14	2
Martin Laggner	Supervisory Board	1	1	1	1
Wilfried Aichinger	Supervisory Board	1	1	3	1
Andreas Kröll	Supervisory Board (WC)	1	1	0	0
Christian Buchleitner	Supervisory Board (WC)	1	1	0	0
Gunter Kampitsch	Supervisory Board (WC)	1	1	0	0
Konrad Müller	Supervisory Board (WC)	1	1	0	0
Wolfgang Rutter	Supervisory Board (WC)	1	1	1	1

Volksbank Niederösterreich AG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Rainer Kuhnle	Managing Board	3	1	6	1
Helmut Emminger	Managing Board	0	0	4	1
Andreas Chocholka	Supervisory Board	3	2	0	0
Christian Kainz	Supervisory Board	2	1	0	0
Claudia Unterberger	Supervisory Board	2	1	2	1
Doris Prachner	Supervisory Board	3	2	4	3
Erich Abpurg	Supervisory Board	3	2	1	0
Erwin Poinstingl	Supervisory Board	2	1	1	1
Herbert Gugerell	Supervisory Board	2	1	1	1
Heribert Donnerbauer	Supervisory Board	3	1	1	1
Jochen Auer	Supervisory Board	2	1	7	1
Johann Sunk	Supervisory Board	1	1	0	0
Karl Gerstl	Supervisory Board	2	1	1	0
Walter Übelacker	Supervisory Board	2	1	1	1
Andreas Köhler	Supervisory Board (WC)	1	1	1	0
Eduard Hammerl	Supervisory Board (WC)	1	1	0	0
Martina Gräven	Supervisory Board (WC)	1	1	0	0
Peter Hubmayer	Supervisory Board (WC)	1	1	0	0
Tamara Anglmayer	Supervisory Board (WC)	1	1	0	0
Thomas Hofbauer	Supervisory Board (WC)	1	1	0	0

Volksbank Upper Austria AG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Richard Ecker	Managing Board	6	2	4	1
Andreas Pirkelbauer	Managing Board	4	2	2	1
Christiana Sommer	Supervisory Board	2	1	1	1
Franz-Xaver Berger	Supervisory Board	1	1	2	2
Gerhard Buchroithner	Supervisory Board	1	1	2	1
Gerhard Schuster	Supervisory Board	1	1	1	1
Johann Bruckner	Supervisory Board	1	1	0	0
Josef Steinböck	Supervisory Board	1	1	1	1
Ludwig Reisecker	Supervisory Board	1	1	0	0
Manfred Oberbauer	Supervisory Board	1	1	1	1
Martin Braun	Supervisory Board	1	1	3	1
Peter Posch	Supervisory Board	3	3	1	0
Thomas Dim	Supervisory Board	3	2	2	0
Wolfdieter Holzhey	Supervisory Board	2	2	9	1
Doris Schwarz	Supervisory Board (WC)	1	1	0	0
Gabriele Rumplmayr	Supervisory Board (WC)	1	1	0	0
Johann Enser	Supervisory Board (WC)	1	1	0	0
Klemens Palser	Supervisory Board (WC)	1	1	1	1
Michael Wahlmüller	Supervisory Board (WC)	2	1	0	0
Ralf Wiedenhofer	Supervisory Board (WC)	1	1	0	0

Volksbank Steiermark AG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Regina Ovesny-Straka	Managing Board	5	2	2	1
Monika Cisar-Leibetseder	Managing Board	0	0	4	1
Annemarie Stipanitz-Schreiner	Supervisory Board	2	1	0	0
Gerald Fleischmann	Supervisory Board	4	2	3	1
Gerald Pilz	Supervisory Board	2	1	7	5
Günter Glatz	Supervisory Board	1	1	1	0
Johannes Jelenik	Supervisory Board	4	1	3	1
Josef Peißl	Supervisory Board	2	1	1	1
Josef Schriebl	Supervisory Board	2	1	3	3
Karl Schwaiger	Supervisory Board	2	1	0	0
Claudia Hinterleitner	Supervisory Board (WC)	1	1	0	0
Edith Veitschegger	Supervisory Board (WC)	1	1	0	0
Reinhard Allmer	Supervisory Board (WC)	1	1	1	0
Renate Friedl	Supervisory Board (WC)	2	1	0	0

Volksbank Tirol AG					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Martin Holzer	Managing Board	1	0	2	1
Werner Foidl	Managing Board	0	0	1	0
Claus Huter	Supervisory Board	2	1	4	2
Johannes Roilo	Supervisory Board	1	1	1	0
Martin Singer	Supervisory Board	3	2	1	1
Maximilian Ellinger	Supervisory Board	2	1	1	0
Robert Oelinger	Supervisory Board	3	1	1	0
Thomas Kneringer	Supervisory Board	2	1	3	1
Walter Gaim	Supervisory Board	2	1	0	0
Walter Oberhollenzer	Supervisory Board	2	1	0	0
Andrea Ager	Supervisory Board (WC)	1	1	0	0
Anni Reiter	Supervisory Board (WC)	1	1	0	0
Christoph Nöbl	Supervisory Board (WC)	1	1	0	0
Harald Stock	Supervisory Board (WC)	1	1	0	0

VOLKSBANK VORARLBERG e. Gen.					
		Supervisory function		Management function	
		Number of mandates		Number of mandates	
		effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria	effective	applying the group/participation privilege/privilege for representatives of the Republic of Austria
Gerhard Hamel	Managing Board	3	1	8	1
Helmut Winkler	Managing Board	0	0	6	1
Martin Alge	Managing Board	0	0	2	1
Dietmar Längle	Supervisory Board	1	1	4	3
Heinz Egle	Supervisory Board	1	1	0	0
Martin Bauer	Supervisory Board	1	1	4	1
Michael Brandauer	Supervisory Board	1	1	2	1
Sabine Loacker	Supervisory Board	1	1	1	1
Corinna Schuchter	Supervisory Board (WC)	1	1	0	0
Michael Schierle	Supervisory Board (WC)	1	1	0	0

Strategy for the selection of members of the management body and their actual knowledge and skills

CRR Art 435(2) b)

The principles and processes for selecting members of the management body and for ensuring the required individual and collective knowledge and skills – taking into account Fit & Proper criteria – are regulated within the framework of the “General Instruction on the Appointment of Managing Directors” (cf. Section 30a of the Austrian Banking Act and the Association Agreement of the Volksbanks).

This, in conjunction with the Fit & Proper Policies of the central organisation of the Association of Volksbanks (VOLKSBANK WIEN AG) and of the affiliated banks, which have been coordinated throughout the Association, represents the written definition of the strategy for the selection and the process for the suitability assessment of the members of the management bodies, in line with the professional values and long-term interests of the Association of Volksbanks.

In addition to Fit & Proper criteria, the decisive selection criterion is an understanding of how to take into account the interests and strategy of the Association of Volksbanks and to ensure the highest possible efficiency in the performance of management duties.

With the “Guidelines on the assessment of the suitability of members of the management body and key function holders” (EBA/GL/2017/12, “Fit & Proper Guidelines”) – published for the first time on 22 November 2012 and updated on 21 March 2018 – uniform minimum requirements for the assessment of the personal reliability, professional suitability and experience of persons in management and control functions in credit institutions were defined throughout Europe. Every Austrian credit institution must comply with the guidelines, taking into account the type, scope and complexity of the transactions as well as the risk structure, hence also taking account of the Fit & Proper guidelines. This obligation is met by the credit institutions’ “Fit & Proper Policies” coordinated across the Association, in particular the obligation to implement internal guidelines for the selection, assessment and safeguarding of the suitability of managing directors, supervisory board members and key function holders.

In the General Instruction “Appointment of Managing Directors”, criteria for the appointment, independence, assessment of individual and collective suitability were defined and the required documents and the process to ensure individual and collective suitability as well as ad hoc re-evaluation were documented.

Members of the management body are subject to specific requirements in relation to their professional and personal competences, their impartiality and independence by virtue of their responsibility for the management and supervision of the institution. The required knowledge, skills and experience of each individual in relation to the collective requirements for the composition of the relevant boards ensure that well-informed competent decisions are made based on a good understanding of the business, the risks and governance structure of the Association of Volksbanks [and on] the relevant persons’ knowledge of the regulatory framework.

The respective requirements depend on the type, structure, size and complexity of the business activity of the institution as well as on the respective functions to be filled. In addition to professional competence, the persons concerned must also meet the required personal qualifications. All members must be personally reliable and in good standing.

In this regard, it should be clarified that these requirements have already been complied with in the past and that the current written records and definitions are provided for better documentation within the framework of guideline requirements.

The positive evaluation of the suitability assessment must be carried out as part of the initial appointment and must be evaluated regularly. Ongoing suitability is ensured through regular training and continuing education measures and related policies. Therefore, measures (in particular (on-the-job) training or organisational measures) must be taken, in particular in the event of changes in external circumstances (e.g. changes in business activities or new regulatory requirements in the organisational structure) which might influence the suitability of individual or several members of the Managing Board or Supervisory Board.

Diversity strategy for the selection of members of the management body, objectives and relevant targets of the strategy, degree of achievement of objectives

CRR Art 435(2) c)

Equal opportunities and diversity are a major concern for the Association of Volksbanks. Objective selection procedures, flexible working hours, health promotion, employee orientation and management development are key points that have been and will continue to be focused on.

If they had to set up a nomination committee in accordance with Section 29 of the Austrian Banking Act, the banks of the Association must set target quotas for the underrepresented gender on the Managing Board and Supervisory Board.

In 2014, corresponding target quotas were defined. By the end of 2020, between 20 % and 30 % of board positions are meant to be filled by candidates of the underrepresented gender. The requirements of the Equal Opportunities for Women and Men on the Supervisory Board Act (GFMA-G) are met.

This objective is to be achieved by ensuring that, in the event of the resignation of a member of a governing body, a replacement is made by the underrepresented gender, provided that a suitable candidate is available. Work is also being done to make the selection procedure more objective and to increase transparency both in job profiles and requirements and in decision-making criteria for appointments.

Information on the risk committee

CRR Art 435(2) a)

The following institutions have formed a risk committee:

Volksbank	Number of meetings held in 2020	Number of meetings held in 2019	Number of meetings held in 2018
VOLKSBANK WIEN AG *5	4	5	5
Österreichische Ärzte- und Apothekerbank AG	3	2	2
Volksbank Oberösterreich AG	3	4	5
Volksbank Kärnten eG *2	1	2	4
Volksbank Niederösterreich AG	1	4	4
Volksbank Salzburg eG *1	0	2	6
Volksbank Steiermark AG *3	0	1	4
Volksbank Tirol AG	4	6	8
VOLKSBANK VORARLBERG e. Gen. *4	1	0	3

Explanations:

*1: The Risk Committee of VB Salzburg eG was dissolved in FY 2019

*2: The Risk Committee of VB Kärnten was dissolved by a resolution of the Supervisory Board on 13 June 2019.

In 2020, the Risk Committee was reintroduced by Supervisory Board resolution dated 16 September 2020 and meets as a combined Credit and Risk Committee

*3: The Risk Committee of VB Steiermark was dissolved with effect on 31 May 2019. Only one meeting was held in 2019.

*4: The Risk Committee of VB Vorarlberg was integrated into the Audit Committee by resolution in the course of the Supervisory Board meeting on 24 September 2018. At the Supervisory Board meeting on 24 April 2019, a resolution was passed to separate the combined Audit and Risk Committee again, with the Risk Committee being dissolved at the same time. From this point onwards, the risk agendas were exercised directly by the Supervisory Board.

The Risk Committee in 2020 was held as a separate meeting.

*5: VOLKSBANK WIEN AG has formed a risk committee in accordance with Section 39d of the Austrian Banking Act, which is referred to as the Working and Risk Committee.

Information flow to the management body

CRR Art 435(2) e)

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

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

Compliance with BaSAG indicators is reported in the Risk Committee to the CO Managing Board.

Risk reporting takes place in the appropriate committees (i) Risk Committee, (ii) Asset Liability Committee, (iii) Credit Committee. For details, please refer to the section entitled “General information on risk management”.

3 Remuneration

3.1 Determination of the remuneration policy

CRR Art 450(1) (a)

VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks

The Supervisory Board of VOLKSBANK WIEN AG has formed a Remuneration Committee which, among other things, is responsible for the remuneration agendas under Section 39c of the Austrian Banking Act.

The Remuneration Committee comprises members of the Supervisory Board, delegated state commissioners and representatives of the works council. Helmut Hegen acts as the remuneration expert. The Remuneration Committee discusses the principles of the remuneration policy at least once a year. The tasks of the Remuneration Committee include the approval, monitoring and implementation of the remuneration policy, remuneration practices and remuneration-related incentive structures, in each case in connection with the management, monitoring and limitation of risks in accordance with Section 39(2b)(1)-(10) of the Austrian Banking Act, available own funds and liquidity, whereby the long-term interests of shareholders, investors and employees of the entire association of credit institutions must also be taken into account. The Remuneration Committee has decision-making authority within its assigned area of competence. The Remuneration Committee met twice in 2020.

Primary banks of the Association of Volksbanks

Each Volksbank has defined a remuneration policy taking into account the principles set out in the Annex to Section 39b of the Austrian Banking Act.

The Supervisory Board and the Remuneration Committee are responsible, among other things, for preparing and passing resolutions on the subject of remuneration, as well as for monitoring remuneration policy, remuneration practices and remuneration-related incentive structures. The implementation of the principles is reviewed annually by the Supervisory Board or the Remuneration Committee. The implementation of the principles is reviewed annually by the Supervisory Board or the Remuneration Committee. *(Translator’s note: sic!)*

3.2 The link between remuneration and success

CRR Art 450(1) (b) to (f)

VOLKSBANK WIEN AG as the central organisation of the Association of Volksbanks

The General Directive on Remuneration Policy was adapted as of December 2020.

Features of the remuneration system

A guiding principle of the VOLKSBANK WIEN AG remuneration system is that the fixed remuneration is in line with the market with reference to the external market (competitors in the banking and financial services sector on the Austrian labour market). Criteria for assessing market conformity are the function, professional and personal qualifications, (relevant) experience and also the results of internal comparisons in salary studies. In these comparisons, the fixed remuneration of employees must be aligned with the market median including the variable salary components of the salary studies.

Actual application of this approach is verified by the remuneration benchmarks which are carried out on a regular basis.

Remuneration system for members of the Managing Board of VOLKSBANK WIEN

The total remuneration of the members of the Managing Board consists of a fixed basic salary and other remuneration components (e.g. remuneration in kind). The Managing Board members do not receive any success- or performance-based remuneration.

External comparisons are equally used to assess the appropriateness and marketability of the remuneration of Managing Board members.

Category of employees with significant influence on the risk profile

The categories of employees whose professional activities have a significant impact on the risk profile of the bank comply with the requirements of EBA/RTS/2020/05.

The identification of risk takers follows a structured and formalised assessment process at both Association and credit institution level on the basis of the guidelines laid down by the central organisation, involving the Risk Control and Compliance function, in order to guarantee a common standardised approach at Association level.

For the recognition of identified employees with a significant impact on the risk profile of the association of credit institutions, the role, decision-making authority with regard to management responsibility, and the total remuneration are taken into account.

The respective affiliated bank of the association of credit institutions is required to conduct an annual self-assessment in the first quarter of each calendar year for the previous year in order to identify all employees whose professional activities have or may have a significant impact on the risk profile of the institution. The self-assessment is based on the qualitative and quantitative criteria set out in EBA/RTS/2020/05. The affiliated banks must also update the risk analysis during the year at least with regard to the qualitative criteria of EBA/RTS/2020/05 to ensure that all employees to whom any of the qualitative criteria may apply for at least three months of the financial year are identified as risk takers. This is particularly the case with new hires or transfers involving the assumption of new functions or responsibilities, or changes in business strategy.

Variable remuneration for the 2020 financial year

Variable remuneration is not envisaged, particularly in view of the federal profit participation right in the association of credit institutions. For this reason, no variable remuneration may be paid within the association of credit institutions and/or at

VOLKSBANK WIEN AG until the General Instruction on remuneration policy has been expressly amended in this respect. Consequently, only remuneration that meets the requirements for classification as fixed remuneration may be paid to employees.

An exception to this principle are those payments or benefits which are made or granted in connection with the restructuring of the association of credit institutions or VOLKSBANK WIEN AG, such as agreements of a kind similar to social plans which do not reward failure. Such payments must be transparently justified and documented.

Primary banks of the Association of Volksbanks

The General Instruction on Remuneration Policy contains detailed rules concerning the general remuneration policy and is consistent with sound and effective risk management. Moreover, it is in line with the business strategy and does not encourage risk-taking beyond what is tolerated by the credit institution. The remuneration policy is designed to align the personal objectives of employees with the long-term interests of the bank.

The remuneration of the employees mainly consists of the following elements:

- salary in accordance with the collective bargaining agreement
- fixed/valorisable/consumable allowances
- overtime flat rates/all-in agreements

Variable remuneration for the 2020 financial year

Variable remuneration is not envisaged, particularly in view of the federal profit participation right in the association of credit institutions. For this reason, no variable remuneration may be paid within the association of credit institutions until the General Instruction on remuneration policy has been expressly amended in this respect. Consequently, only remuneration that meets the requirements for classification as fixed remuneration may be paid to employees.

An exception to this principle are those payments or benefits which are made or granted in connection with the restructuring of the association of credit institutions, such as agreements of a kind similar to social plans which do not reward failure. Such payments must be transparently justified and documented.

3.3 Summarised quantitative information on remuneration

CRR Art 450(1) (g) to (h)

Summarised quantitative information on remuneration for category of employees with significant influence on the risk profile (amounts in euro)

Employee categories pursuant to section 39b of the Austrian Banking Act (BWG)	Members of the Supervisory Board	Members of the Managing Board/ Management	Investment Banking	Retail Banking	Asset Management	Field of activity performed throughout the company	Control functions	Others
Number of members §39b BWG (heads)	127	29						
Number of employees §39b BWG Total (FTE)			1	23	2	49	13	-
Number of employees in senior management (FTE)			1	20	2	35	3	-
Total amount of fixed remuneration (incl. benefits in kind)	1,082,771	7,477,871	289,267	5,196,320	455,259	6,996,366	2,245,575	-
of which: in cash	1,082,771	7,477,871	289,267	5,196,320	455,259	6,996,366	2,245,575	-
of which: in shares or instruments linked to shares	-	-	-	-	-	-	-	-
of which: other non-cash instruments	-	-	-	-	-	-	-	-
Total amount of variable remuneration	-	-	-	-	-	-	-	-
of which: in cash	-	-	-	-	-	-	-	-
of which: in shares or instruments linked to shares	-	-	-	-	-	-	-	-
of which: other non-cash instruments	-	-	-	-	-	-	-	-
Amounts of outstanding retained variable remuneration – earned	-	-	-	-	-	-	-	-
Amounts of outstanding retained variable remuneration – not earned yet	-	-	-	-	-	-	-	-
Amounts of retained variable remuneration – granted during the financial year	-	-	-	-	-	-	-	-
Amounts of retained variable remuneration – paid during the financial year	-	-	-	-	-	-	-	-
Reduction of deferred variable remuneration from previous years due to performance adjustments	-	-	-	-	-	-	-	-
Number of recipients of guaranteed variable remuneration (new hire bonuses)	-	-	-	-	-	-	-	-
Total amount of guaranteed variable remuneration (new hire bonuses paid during the financial year)	-	-	-	-	-	-	-	-
Severance payments (statutory and voluntary) granted during the financial year: Number of beneficiaries	-	1	-	1	-	-	-	-
Total severance payments made in the financial year (statutory and voluntary)	-	278,923	-	108,689	-	-	-	-
Severance payments (statutory and voluntary) granted during the financial year: Highest such amount awarded to a single person	-	278,923	-	108,689	-	-	-	-

3.4 High earners

CRR Art 450(1) (i)

Number of persons whose remuneration in the financial year amounts to euro 1 million or more: 0 (none)

4 Group structure and scope

4.1 Scope

CRR Art 436 (a), (c) to (e)

VOLKSBANK WIEN AG (VBW), with its registered office at Dietrichgasse 25, 1030 Vienna, is the central organisation (CO) of the Association of Volksbanks. VBW has concluded an association agreement with the primary banks (Volksbanks, VB) in accordance with Section 30a of the Austrian Banking Act. The purpose of this association agreement is, on the one hand, the formation of a cross-guarantee system between the institutions of the primary sector and, on the other hand, the supervision and fulfilment of the supervisory standards at Association level. Pursuant to Article 30a para. 10 of the Austrian Banking Act, in order to meet the requirements for an association, the CO must have the right to issue instructions to the affiliated banks.

The regulatory provisions of Parts 2 to 8 of Regulation (EU) no. 575/2013 as well as Section 39a of the Austrian Banking Act must be met by the Association of Volksbanks on the basis of the consolidated financial situation (Section 30a (7) of the Austrian Banking Act). By letter dated 29 June 2016, the ECB granted unlimited approval of the Association of Volksbanks without further requirements.

Section 30a (7) of the Austrian Banking Act obliges the CO to prepare consolidated financial statements in accordance with Sections 59 and 59a of the Austrian Banking Act for the Association of Volksbanks. The financial statements of the Association are prepared in accordance with a set of rules based on the International Financial Reporting Standards (IFRS). For the purposes of full consolidation, Section 30a para. 8 of the Austrian Banking Act stipulates that the CO is to be treated as a superordinate institution and each assigned institution and, under certain conditions, each contributing legal entity as a subordinate institution.

Full consolidation in accordance with IFRS is only possible if an entity has decision-making power over the investee, i.e. the ability to affect returns through its control over the investee (IFRS 10.6). Since the CO can issue instructions but does not receive any return flows from the affiliated banks, the CO does not exercise control within the meaning of IFRS 10. In the absence of an ultimate controlling parent company, a consolidated presentation can only be prepared in the sense of a group of equals, despite the CO’s extensive powers to issue instructions. It was therefore necessary to define a set of rules for the preparation of the financial statements of the Association.

In the 2020 financial year, there were no substantive, practical or legal impediments to the transfer of own funds or the redemption of liabilities between the parent institution and its subordinate institutions.

4.2 Differences between accounting and supervisory purposes

CRR Art 436 (b), EU LI1 – EU LI3

EU LI1 – Differences between scopes of consolidation for accounting and regulatory purposes and mapping of financial statement categories to regulatory risk categories

	Carrying amounts, according to published annual financial statements	Carrying amounts, according to the regulatory scope of consolidation	Carrying amounts of items that				
			are subject to the credit risk framework	are subject to the counterparty credit risk framework	are subject to the securitisation framework	are subject to the market risk framework	are subject neither to own funds requirements nor to own funds deductions
Assets							
Liquid funds	3,943,760	3,943,760	3,939,801	-	-	1,160	3,958
Loans and receivables to credit institutions, gross	438,106	438,106	127,673	-	-	11,359	310,434
Loans and receivables to customers (gross)	21,287,322	21,287,322	21,200,263	-	-	784,494	87,059
Risk provision (-)	- 364,786	- 364,786	- 364,786	-	-	-	-
Assets held for trading	55,970	55,970	1,675	54,273	-	54,134	22
Financial investments	2,635,829	2,635,829	2,590,287	21,449	-	15,286	24,093
Investment property assets	40,977	40,977	40,977	-	-	-	-
Shares in associated companies (measured at equity)	90,870	90,870	90,870	-	-	-	-
Participations	128,139	128,139	128,139	-	-	-	-
Intangible assets	2,591	2,591	2,591	-	-	-	-
Tangible assets	443,625	443,625	443,625	-	-	-	-
Income tax assets	116,549	116,549	52,144	-	-	-	64,405
Other assets	178,481	178,481	60,839	110,364	-	848	7,278
Assets of a disposal group	8,044	8,044	8,044	-	-	-	-
Total assets	29,370,265	29,370,265	28,686,929	186,086	-	867,280	497,250
Liabilities							
Amounts owed to credit institutions	1,883,873	1,883,873	-	-		27,813	1,883,873
Amounts owed to customers	22,153,454	22,153,454	-	21,479		98,415	22,131,975
Securitised debts	1,469,924	1,469,924	-	-		-	1,469,924
Lease liabilities	169,889	169,889	-	-		-	169,889
Trading liabilities	61,518	61,518	-	61,518		61,647	-
Provisions	231,660	231,660	-	-		-	231,660
Income tax liabilities	25,425	25,425	-	-		-	25,425
Other liabilities	533,264	533,264	-	428,864		67,166	104,399
Liabilities of a disposal group	122	122	-	-		-	122
Subordinated capital	576,811	576,811	-	-		-	576,811
Equity	2,264,325	2,264,325	-	-		-	2,264,325
Total liabilities	29,370,265	29,370,265	-	511,861	-	255,041	28,858,404

LI2 – Reconciliation of balance sheet items to the regulatory assessment basis

		Total	Items subject to			
			Credit risk framework	CCR frame-work	Securitisation framework	Market risk framework
1	Carrying amount of assets in the regulatory scope of consolidation (according to template EU LI1)	29,370,265	28,686,929	186,086	-	867,280
2	Carrying amount of liabilities in the regulatory scope of consolidation (according to template EU LI1)	29,370,265	-	511,861	-	255,041
3	**Total net amount in the regulatory scope of consolidation**	**-**	**28,686,929**	**- 325,776**	**-**	**612,239**
4	Off-balance sheet amounts		4,118,625			
5	Differences due to different netting rules other than those already taken into account in line 2			330,906		
6	Consideration of add-ons and eligible collaterals for derivatives			50,698		
7	Application of haircuts in the EAD determination of repos			653		
8	Other reporting differences		263,079			
9	**Exposures taken into account for regulatory purposes**		33,068,633	56,481		

EU LI3 – Description of differences between scopes of consolidation (by individual entity)

Name of entity	Consolidation method IFRS	Consolidation method for regulatory purposes					Description of the entity
		Full consolidation	Proportionate consolidation	At equity	Neither consolidated nor deducted	Deducted	
VB Aktivmanagement GmbH	fully consolidated	x					Financial institution
VB-Immobilienverwaltungs- und -vermittlungs GmbH	fully consolidated	x					Bank-related service
VB Verbund-Beteiligung Region Wien eG in Liqu.	fully consolidated	x					Financial institution
VB Infrastruktur und Immobilien GmbH	fully consolidated	x					Bank-related service
Österreichische Ärzte- und Apothekerbank AG	fully consolidated	x					Credit institution
VOLKSBANK WIEN AG	fully consolidated	x					Credit institution
VB Services für Banken Ges.m.b.H.	fully consolidated	x					Bank-related service
3V-Immobilien Errichtungs-GmbH	fully consolidated	x					Bank-related service
VB Rückzahlungsgesellschaft mbH	fully consolidated	x					Financial institution
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.	fully consolidated	x					Financial institution
Volksbank Kärnten eG	fully consolidated	x					Credit institution
VB Wien Beteiligung eG	at equity			x			Financial institution
VOLKSBANK VORARLBERG e. Gen.	fully consolidated	x					Credit institution
VB Verbund-Beteiligung eG	at equity			x			Financial institution
Volksbank Salzburg eG	fully consolidated	x					Credit institution
Volksbank Tirol AG	fully consolidated	x					Credit institution
Volksbank Niederösterreich AG	fully consolidated	x					Credit institution
Volksbank Steiermark AG	fully consolidated	x					Credit institution
Volksbank Oberösterreich AG	fully consolidated	x					Credit institution
BBG Beratungs- und Beteiligungsgesellschaft m.b.H.	fully consolidated	x					Bank-related service
Domus IC Leasinggesellschaft m.b.H.	fully consolidated	x					Bank-related service
Gärtnerbank Immobilien GmbH	fully consolidated	x					Bank-related service
VB Kärnten Leasing GmbH	fully consolidated	x					Financial institution
VOBA Vermietungs- und Verpachtungsges.m.b.H.	fully consolidated	x					Bank-related service
Volksbank Salzburg Leasing Gesellschaft m.b.H.	fully consolidated	x					Financial institution
Volksbank Vorarlberg Leasing GmbH	fully consolidated	x					Financial institution
Volksbank Vorarlberg Marketing- und Beteiligungs GmbH	fully consolidated	x					Bank-related service
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH	fully consolidated	x					Bank-related service
VVB Immo GmbH & Co KG	fully consolidated	x					Bank-related service

4.3 Risk from equity exposures not included in the trading book

CRR Art 447

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

Companies on which a material influence is exerted are measured according to the equity method. All other participations are reported at fair value, except if their acquisition costs are less than euro 50,000 and if the related equity share does not exceed the carrying amount by more than euro 100,000. As these participations are not listed at a stock exchange and no market prices are available on an active market, the participations are measured by means of valuation methods and input factors some of which are not observable. Valuations are effected according to the discounted cash flow method and the peer group approach. Various calculation models are applied. The income approach is used if companies included in the financial statements of the Association control the company or exercise any management function, and budgets are available accordingly. If the company is not controlled, the fair value calculation is performed on the basis of the dividend paid as well as the annual results of the last five years. In case of companies whose object does not permit any regular income or the result of which is controlled by the parent company through settlements, the net assets are used as valuation criterion. In case of participations in co-operatives, the share capital is used as the fair value, provided the subscription of new shares and the cancellation of existing shares are possible at any time. If valuation reports are prepared by external valuators, they will be used for current valuation.

To the extent that the discounted cash flow method is applied, the discount rates used are based on the respective current recommendations of the professional committee of the Austrian Chamber of Public Accountants and Tax Advisors (Fachsenat der österreichischen Kammer der Wirtschaftstreuhänder) as well as of international financial data service providers and, in the 2020 financial year, range between 7.0 and 9.8 % (2019: 6.3 to 9.0 %). The market risk premium used for the calculation is 8.6 % (2019: 7.9 %), the beta values used range between 0.8 and 1.2 (2019: 0.8-1.1). Additional country risks did not have to be considered. Discounts due to fungibility and exercise of control in the amount of 10 % in each case are effected for two participations.

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

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

Shares and participations

Euro thousand	31 Dec. 2020	31 Dec. 2019
Shares in affiliated, unconsolidated companies	15,708	15,145
Shares in participating interests	6,806	6,799
Other participations	105,625	108,534
Participations	**128,139**	**130,479**

In the financial year, participations with a carrying amount of euro 222,000 (2019: euro 2,345,000) were sold. The most significant participations in the item Other participations are Volksbanken Holding eGen with a carrying amount of euro 83,837,000 (2019: euro 83,837,000), Oesterreichische Kontrollbank Aktiengesellschaft with a carrying amount of euro 4,051,000 (2019: euro 4,129,000), and PSA Payment Services Austria GmbH with a carrying amount of euro 3,298,000 (2019: euro 5,884,000). Income from participations are included in the income statement in the item Result from financial instruments and investment properties. Due to immateriality, participations with a carrying amount of euro 382,000 (2019: euro 913,000) were measured at amortised cost.

Sensitivity analysis

Participations valued using the DCF method

Euro thousand		Interest rate		
31 Dec. 2020		-0.50 %	ACTUAL	0.50 %
	-10.00 %	15,164	14,399	13,717
Income component	ACTUAL	16,654	**15,548**	15,046
	10.00 %	18,144	17,208	16,375
31 Dec. 2019				
	-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 valued at net assets:

Euro thousand	Proportionate fair value		
31 Dec. 2020	Decrease of assumption	ACTUAL	Increase of assumption
Net assets (10 % change)	15,656	**17,199**	19,135
31 Dec. 2019			
Net assets (10 % change)	13,407	**14,897**	16,386

Participations valued on the basis of external appraisals:

Euro thousand	Proportionate fair value		
31 Dec. 2020	Lower range	ACTUAL	Upper range
Proportionate fair value	79,203	**88,114**	97,021
31 Dec. 2019			
Proportionate fair value	79,699	**88,544**	97,390

5 Own funds

5.1 Reconciliation of own funds

CRR Art 437(1) (a)

The following table shows the difference between the scope of consolidation under IFRS and the regulatory scope of consolidation based on the audited balance sheet in the financial statements of the Association.

Where possible, it provides a reconciliation of IFRS balance sheet items to regulatory capital items.

The last column contains a letter correlating the amount derived from the accounting figures with the corresponding amount in the own funds presentation.

Euro thousand	IFRS 31 Dec. 2020	CRR 31 Dec. 2020	Reference Own funds
ASSETS			
Liquid funds	3,943,760	3,943,760	
Loans and receivables to credit institutions	438,106	438,106	
Loans and receivables to customers	21,287,322	21,287,322	
Assets held for trading	55,970	55,970	
Financial investments	2,635,829	2,635,829	
Investment property	40,977	40,977	
Shares in companies measured at equity	90,870	90,870	
Participations	128,139	128,139	
Intangible assets	2,591	2,591	
of which other intangible assets	2,591	2,591	e
Tangible assets	443,625	443,625	
Income tax assets	116,549	116,549	
Other assets	178,481	178,481	
Assets available for sale	8,044	8,044	
TOTAL ASSETS	**29,370,265**	**29,370,265**	
LIABILITIES			
Amounts owed to credit institutions	1,883,873	1,883,873	
Amounts owed to customers	22,153,454	22,153,454	
Securitised debts	1,469,924	1,469,924	
Lease liabilities	169,889	169,889	
Trading liabilities	61,518	61,518	
Provisions	231,660	231,660	
Income tax liabilities	25,425	25,425	
Other liabilities	533,264	533,264	
Liabilities held for sale	122	122	
Subordinated liabilities	576,811	576,811	
of which eligible for inclusion in supplementary capital		448,564	g
of which eligible for inclusion in supplementary capital (grandfathering)		16,857	h
Total nominal amount of shares	4,041	4,041	
of which eligible for inclusion in Common Equity Tier 1 capital (grandfathering)		576	d
of which eligible for inclusion in supplementary capital		3,466	g
Subscribed capital	288,487	288,487	
of which eligible for inclusion in Common Equity Tier 1 capital		283,690	a
of which eligible for inclusion in Common Equity Tier 1 capital (grandfathering)		683	d
of which eligible for inclusion in supplementary capital		4,114	g
of which eligible for inclusion in supplementary capital (grandfathering)		0	y
Additional Tier 1 capital	217,722	217,722	
of which paid-in capital instruments		220,000	f
of which transaction costs		-2,278	b
Capital reserve	509,355	509,355	
of which premium	498,365	498,365	a
of which other reserves	10,990	10,990	c
Reserves	1,242,612	1,242,612	
of which retained earnings (eligible)	1,419,144	1,404,293	b
of which cumulative other comprehensive income (eligible)	-721,395	-721,395	c
of which other reserves	544,862	544,862	c
Non-controlling interests	2,108	2,108	
TOTAL LIABILITIES	**29,370,265**	**29,370,265**	

The following table shows the regulatory capital of the Association's group of credit institutions. The last column indicates the reference to the amounts derived from the accounting figures as recorded in the previous table.

Euro thousand	31 Dec. 2020	Reference Balance sheet
Common Equity Tier 1: Instruments and reserves		
Capital instruments including premium	782,055	a
Retained earnings	1,402,016	b
Cumulative other comprehensive income (and other reserves)	-165,543	c
Directly issued capital that will no longer be eligible as Common Equity Tier 1	1,259	d
Common Equity Tier 1 before regulatory adjustments	2,019,787	
Common Equity Tier 1: Regulatory adjustments		
Intangible assets (adjusted for any tax liabilities)	-2,591	e
Impairment due to the requirement for prudent valuation	-1,473	
Regulatory adjustments – transitional provisions	100,135	
Adjustments to be made due to transitional regulations under IFRS 9	100,135	
Items in excess of additional Tier 1 capital to be deducted from additional Tier 1 capital items	0	
Additional deductions to be made from Common Equity Tier 1 pursuant to Article 3 of the CRR	-113,509	
Regulatory adjustments Total	-17,438	
Common Equity Tier 1 – CET1	2,002,349	
Additional Tier 1 capital: Instruments		
Capital instruments including premium, eligible as additional Tier 1 capital	220,000	f
Additional Tier 1 capital before regulatory adjustments	220,000	
Additional Tier 1 capital: Regulatory adjustments		
Items in excess of additional Tier 1 capital to be deducted from additional Tier 1 capital items	0	
Regulatory adjustments Total	0	
Additional Tier 1 capital – AT1	220,000	
Tier 1 capital – T1 (CET1 + AT1)	2,222,349	
Supplementary capital – instruments and impairments		
Capital instruments including premium, eligible as supplementary capital	456,144	9
Capital instruments whose inclusion in supplementary capital expires	37,998	h
Supplementary capital before regulatory adjustment	494,142	
Supplementary capital: Regulatory adjustment		
Regulatory adjustments Total	0	
Supplementary capital – T2	494,142	
Total equity – TC (T1 + T2)	2,716,491	

5.2 Main features and conditions of Common Equity Tier 1, additional Tier 1 and supplementary capital instruments

CRR Art 437(1) (b) and (c)

Due to the format, the information on Article 437(1) (b) and (c) is published in a separate file "Offenlegung Hauptmerkmale Kapitalinstrumente Verbund – 20201231.pdf" (disclosure main characteristics capital instruments Association).

5.3 Deductions and adjustment items and limitations on application

CRR Art 437(1) (d) and (e)

Disclosure of own funds during the transitional period

(A) Amount on the date of disclosure (in euro)
(B) Reference to Articles in Regulation (EU) No. 575/2013
(C) Amounts subject to treatment prior to Regulation (EU) No. 575/2013, or required residual amount under Regulation (EU) No. 575/2013

		(A)	(B)	(C)
1	Capital instruments and the premium associated with them	782,856,657	26(1), 27, 28, 29, EBA list referred to in Article 26(3)	
	of which: Type of financial instrument 1		EBA list referred to in Article 26(3)	
	of which: Type of financial instrument 2		EBA list referred to in Article 26(3)	
	of which: Type of financial instrument 3		EBA list referred to in Article 26(3)	
2	Retained earnings	1,407,165,119	26(1) c	
3	Cumulative other comprehensive income (and other reserves) to reflect unrealized gains and losses under applicable accounting standards	-394,533,576	26(1)	
3a	Fund for general banking risks	228,990,779	26(1) f	
4	Amount of the items referred to in Article 484(3) plus the related premium which will cease to be credited to CET1	1,258,838	486(2)	
	State capital injection with grandfathering until 1 January 2018	0	483(2)	
5	Minority interests (admissible amount in consolidated CET1)	0	84, 479, 480	
5a	Independently audited interim profits, less any foreseeable disclosures or dividends		26(2)	
6	**Common Equity Tier 1 (CET1) before regulatory adjustments**	**2,025,737,817**		

Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional valuation adjustment (negative amount)	-1,472,661	34, 105	
8	Intangible assets (reduced by relevant tax liabilities) (negative amount)	-2,591,078	36(1) b, 37, 472(4)	
9	In the EU: empty field			
10	Deferred tax assets dependent on future profitability, except those arising from temporary differences (reduced by relevant tax liabilities if the conditions of Article 38(3) are met) (negative amount)	0	36(1) c, 38, 472(5)	
11	Reserves from gains or losses on cash flow hedges reported at fair value	0	33 a	
12	Negative amounts from the calculation of expected loss amounts	0	36(1) d, 40, 159, 472(6)	
13	Increase in equity resulting from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on own liabilities measured at fair value due to changes in own credit rating	0	33 b	
15	Assets from defined benefit pension funds (negative amount)	0	36(1) e, 41, 472(7)	
16	Direct and indirect positions of an institution in its own CET1 instruments (negative amount)	-801,666	36(1) f, 42, 472(8)	
17	Positions in CET1 instruments of financial sector entities that have cross-shareholdings with the institution for the purpose of artificially increasing the institution's own funds (negative amount)	0	36(1) g, 44, 472(9)	
18	Direct and indirect positions of the institution in CET1 instruments of financial sector entities in which the institution does not hold a significant participation (more than 10 % and net of eligible short positions) (negative amount)	0	36(1) h, 43, 45, 46, 49(2)(3), 79, 472(10)	
19	Direct, indirect and synthetic positions of the institution in CET1 instruments of financial sector entities in which the institution holds a significant participation (more than 10 % and net of eligible short positions) (negative amount)	0	36(1) i, 43, 45, 47, 48(1) b, 49(1) to (3), 79, 470, 472(11)	
20	In the EU: empty field			
20a	Exposure amount arising from the following items to which a risk weight of 1250 % must be assigned if, as an alternative, the institution deducts that exposure amount from the amount of CET1 items	0	36(1) k	
20b	of which: qualifying participations outside the financial sector (negative amount)	0	36(1) k i, 89 to 91	
20c	of which: securitisation exposures (negative amount)	0	36(1) k ii, 243(1) b, 244(1) b, 258	
20d	of which: intermediate inputs (negative amount)	0	36(1) k iii, 379(3)	
21	Deferred tax assets dependent on future profitability resulting from temporary differences (above the 10 % threshold, reduced by corresponding tax liabilities if the conditions of Article 38(3) are met) (negative amount)	0	36(1) c, 38, 48(1) a, 470, 472(5)	
22	Amount exceeding the threshold of 15 % (negative amount)	0	48(1)	
23	of which: direct and indirect positions of the institution in CET1 instruments of financial sector entities in which the institution holds a material interest	0	36(1) i, 48(1) b, 470, 472(11)	
24	In the EU: empty field			

25	of which: deferred tax assets dependent on future profitability resulting from temporary differences	0	36(1) c, 38, 48(1) a, 470, 472(5)	
25a	Losses of the current financial year (negative amount)	-5,149,553	36(1) a, 472(3)	
25b	Foreseeable tax charge on CET1 items (negative amount)		36(1) l	
26	Regulatory adjustments to CET1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses under Articles 467 and 468	0		
	of which: deductions and adjustments for unrealised losses 1	0	467	
	of which: deductions and adjustments for unrealised losses 2	0	467	
	of which: deductions and adjustments for unrealised gains 1	0	468	
	of which: deductions and adjustments for unrealised gains 2	0	468	
26b	Amount to be deducted from or added to CET1 in respect of additional deductions and adjustment items and deductions required under the pre-CRR treatment	0	481	
	of which: ..		481	
27	Amount of items to be deducted from additional Tier 1 capital items in excess of the institution’s additional Tier 1 capital (negative amount)	0	36(1) j	
	Other transitional adjustments to Common Equity Tier 1	100,135,345		
	Additional deductions to be made from CET1 pursuant to Article 3 of the CRR	-113,509,257		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-23,388,870		
29	**Common Equity Tier 1 (CET1)**	**2,002,348,947**		
Additional Tier 1 capital (AT1): Instruments				
30	Capital instruments and the premium associated with them	220,000,000	51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of the items referred to in Article 484(4) plus the related premium, which will cease to be eligible as AT1	0	486(3)	
	State capital injection with grandfathering until 1 January 2018	0	483(3)	
34	Qualified core capital instruments counting against consolidated additional Tier 1 capital (including minority interests not included in line 5) issued by subsidiaries and held by third parties	0	85, 86, 480	
35	of which: instruments issued by subsidiaries whose eligibility expires		486(3)	
36	**Additional Tier 1 capital (AT1) before regulatory adjustments**	**220,000,000**		

Additional Tier 1 capital (AT1): regulatory adjustments				
37	Direct and indirect positions of an institution in its own additional Tier 1 instruments (negative amount)	0	52(1) b, 56 a, 57, 475(2)	
38	Positions in Additional Tier 1 capital instruments of financial sector entities that have cross-shareholdings with the institution for the purpose of artificially increasing the institution's own funds (negative amount)	0	56 b, 58, 475(3)	
39	Direct and indirect positions of the institution in Additional Tier 1 capital instruments of financial sector entities in which the institution does not hold a significant participation (more than 10 % and net of eligible short positions) (negative amount)	0	56 c, 59, 60, 79, 475(4)	
40	Direct and indirect positions of the institution in Additional Tier 1 capital instruments of financial sector entities in which the institution holds a significant participation (more than 10 % and net of eligible short positions) (negative amount)	0	56 d, 59, 79, 475(4)	
41	Regulatory adjustments to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and treatments during the transitional period subject to phase-out rules under Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts to be deducted from Additional Tier 1 capital in respect of items to be deducted from Common Equity Tier 1 during the transitional period in accordance with Article 472 of Regulation (EU) No. 575/2013	0	472, 472(3) a, 472(4), 472(6), 472(8) a, 472(9), 472(10) a, 472(11)(a)	
	of which items to be listed line by line, e.g. tangible interim losses (net), intangible assets, defaults on provisions for expected losses, etc.	0		
41b	Residual amounts to be deducted from Additional Tier 1 capital in respect of items to be deducted from supplementary capital during the transitional period referred to in Article 475 of Regulation (EU) No. 575/2013	0	477, 477(3), 477(4) a	
	of which items to be disclosed line by line, e.g. cross-shareholdings in supplementary capital instruments, direct positions of non-substantial participations in the capital of other financial sector entities, etc.	0		
41c	Amount to be deducted from or added to Additional Tier 1 capital in respect of additional deductions and adjustment items and deductions required under the pre-CRR treatment	0	467, 468, 481	
	of which: ... possible deductions and adjustments for unrealised losses		467	
	of which: ... possible deductions and adjustments for unrealised gains		468	
	of which: ..	0	481	
42	Amount of items in excess of the institution's supplementary capital to be deducted from items of supplementary capital (negative amount)	0	56 e	
43	**Total regulatory adjustments to additional Tier 1 capital (AT1)**	**0**		
44	**Additional Tier 1 capital (AT1)**	**220,000,000**		
45	**Core capital (T1= CET1 + AT1)**	**2,222,348,947**		

Supplementary capital (T2): Instruments and reserves				
46	Capital instruments and the premium associated with them	456,143,913	62, 63	
47	Amount of the items referred to in Article 484(5) plus the premium associated with them, which will cease to be eligible as T2	37,998,152	486(4)	
	State capital injection with grandfathering until 1 January 2018	0	483(4)	
48	Qualified own funds instruments counting against consolidated supplementary capital (including minority interests and AT1 instruments not included in lines 5 and 34, respectively) issued by subsidiaries and held by third parties	0	87, 88, 480	
49	of which: instruments issued by subsidiaries whose eligibility expires		486(4)	
50	Credit risk adjustments	0	62 c & d	
51	**Supplementary capital (T2) before regulatory adjustments**	**494,142,065**		
Supplementary capital (T2): regulatory adjustments				
52	Direct and indirect positions of an institution in its own supplementary capital instruments and subordinated loans (negative amount)	0	63 b i, 66 a, 67, 477(2)	
53	Positions in supplementary capital instruments and subordinated loans of financial sector entities that have cross-shareholdings with the institution with the aim of artificially increasing its own funds (negative amount)	0	66 b, 68, 477(3)	
54	Direct and indirect positions of the institution in supplementary capital instruments and subordinated loans of financial sector entities in which the institution does not hold a significant participation (more than 10 % and net of eligible short positions) (negative amount)	0	66 c, 69, 70, 79, 477(4)	
54a	of which: new positions not subject to transitional provisions			
54b	of which: positions existing before 1 January 2013 and subject to transitional provisions			
55	The institution's direct and indirect positions in Tier 2 instruments and subordinated debt issued by financial sector entities in which the institution holds a significant participation (net of eligible short positions) (negative amount)	0	66 d, 69, 79, 477(4)	
56	Regulatory adjustments to supplementary capital in respect of amounts subject to pre-CRR treatment and treatments during the transitional period subject to phase-out rules under Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts to be deducted from supplementary capital in respect of items to be deducted from CET1 during the transitional period referred to in Article 472 of Regulation (EU) No. 575/2013	0	472, 472(3) a, 472(4), 472(6), 472(8) a, 472(9), 472(10) a, 472(11) a	
	of which items to be listed line by line, e.g. tangible interim losses (net), intangible assets, defaults on provisions for expected losses, etc.	0		
56b	Residual amounts to be deducted from supplementary capital in respect of items to be deducted from additional Tier 1 capital during the transitional period referred to in Article 475 of Regulation (EU) No. 575/2013	0	475, 475(2) a, 475(3), 475(4) a	
	of which items to be disclosed line by line, e.g. cross-shareholdings in additional Tier 1 capital instruments, direct positions of non-substantial participations in the capital of other financial sector entities, etc.	0		

56c	Amount to be deducted from or added to supplementary capital in respect of additional deductions and adjustment items and deductions required under the pre-CRR treatment	0	467, 468, 481	
	of which: ... possible deductions and adjustment items for unrealised losses		467	
	of which: ... possible deduction and adjustment item for unrealised gains		468	
	of which: ..	0	481	
57	**Total regulatory adjustments to supplementary capital (T2)**	**0**		
58	**Supplementary capital (T2)**	**494,142,065**		
59	**Total equity (TC = T1 + T2)**	**2,716,491,012**		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and treatments during the transitional period subject to phase-out rules under Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0		
	of which: ... items not to be deducted from Common Equity Tier 1 (Regulation (EU) No. 575/2013, residual amounts) (Items to be disclosed line by line, e.g. deferred tax assets dependent on future profitability, reduced by corresponding tax liabilities, indirect positions in own CET1 instruments, etc.)	0	472, 472(5), 472(8) b, 472(10) b, 472(11) b	
	of which: ... items not to be deducted from additional Tier 1 capital items (Regulation (EU) No. 575/2013, residual amounts) (Items to be disclosed line by line, e.g. cross-shareholdings in supplementary capital instruments, direct positions of non-substantial participations in the capital of other financial sector entities, etc.)	0	475, 475(2) b, 475(2) c, 475(4) b	
	of which: ... items not to be deducted from supplementary capital items (Regulation (EU) No. 575/2013, residual amounts) (Items to be disclosed line by line, e.g. indirect positions in instruments of own supplementary capital, indirect positions of non-significant participations in the capital of other financial sector entities, indirect positions of significant participations in the capital of other financial sector entities, etc.)	0	477, 477(2) b, 477(2) c, 477(4) b	
60	**Total risk-weighted assets**	**14,174,716,572**		

Equity ratios and buffers				
61	CET1 capital ratio (expressed as a percentage of the total amount of exposures)	14.13 %	92(2) a, 465	
62	Tier 1 capital ratio (expressed as a percentage of the total amount of exposures)	15.68 %	92(2) b, 465	
63	Total capital ratio (expressed as a percentage of the total amount of exposures)	19.16 %	92(2) c	
64	Institution-specific capital buffer requirement (minimum CET1 capital ratio requirement under Article 92(1)(a), plus capital conservation buffer and countercyclical capital buffer requirements, systemic risk buffer requirements and systemically important institution (G-SRI or A-SRI) buffer requirements, expressed as a percentage of the total risk exposure amount)	496,216,989	CRD 128, 129, 130	
65	of which: capital conservation buffer	354,367,914		
66	of which: countercyclical capital buffer	101,909		
67	of which: systemic risk buffer	141,747,166		
67a	of which: buffers for global systemically important institutions (G-SRI) or other systemically important institutions (A-SRI)	141,747,166	CRD 131	
68	Available CET1 capital for buffers (expressed as a percentage of the total amount of exposures)	9.63 %	CRD 128	
69	[not relevant in EU regulation]			
70	[not relevant in EU regulation]			
71	[not relevant in EU regulation]			
Amounts below the thresholds for deductions (before risk weighting)				
72	Direct and indirect positions of the institution in capital instruments of financial sector entities in which the institution does not hold a significant participation (less than 10 % and net of eligible short positions)	12,632,404	36(1) h, 45, 46, 472(10), 56 c, 59, 60, 475(4), 66 c, 69, 70, 477(4)	
73	Direct and indirect positions of the institution in CET1 capital instruments of financial sector entities in which the institution holds a significant participation (less than 10 % and net of eligible short positions)	172,060,083	36(1) i, 45, 48, 470, 472(11)	
74	In the EU: empty field			
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the 10 % threshold, reduced by corresponding tax liabilities if the conditions of Article 38(3) are met)	105,757,819	36(1) c, 38, 48, 470, 472(5)	
Applicable ceilings for the inclusion of impairments in supplementary capital				
76	Credit risk adjustments eligible for supplementary capital in respect of exposures subject to the standardised approach (before application of the ceiling)	0	62	
77	Ceiling for the eligibility of credit risk adjustments in supplementary capital under the standardised approach	161,288,141	62	
78	Credit risk adjustments eligible for supplementary capital in respect of exposures subject to the internal rating-based approach (before application of the ceiling)	0	62	
79	Ceiling for the eligibility of credit risk adjustments in supplementary capital under the internal rating-based approach	0	62	
Equity instruments subject to the phasing-out provisions (applicable only from 1 January 2013 to 1 January 2022)				
80	Current ceiling for CET1 instruments subject to the phasing-out rules	1,258,838	484(3), 486(2) & (5)	

81	Amount excluded from CET1 due to ceiling (amount above ceiling after repayments and maturities)	-7,579,738	484(3), 486(2) & (5)	
82	Current ceiling for AT1 instruments subject to the phasing-out rules	0	484(4), 486(3) & (5)	
83	Amount excluded from AT1 due to ceiling (amount above ceiling after repayments and maturities)	-7,579,738	484(4), 486(3) & (5)	
84	Current ceiling for T2 instruments subject to the phasing-out rules	92,817,539	484(5), 486(4) & (5)	
85	Amount excluded from T2 due to ceiling (amount above ceiling after repayments and maturities)	0	484(5), 486(4) & (5)	

5.4 Consideration of own funds components determined on a different basis

CRR Art 437(1) (f)

The relevant regulation is not applicable to the Association of Volksbanks as at 31 December 2020.

6 Own funds requirements

6.1 Approach used to assess the adequacy of internal capital

CRR Art 438 (a) and (b)

The implementation of regulatory requirements in the Association of Volksbanks is as follows:

Pillar 1: Minimum own funds requirements

Within the scope of Pillar 1, compliance with the minimum regulatory requirements is ensured. With respect to both credit risk and market risk, and also operational risk, the respective regulatory standard approaches for determining the minimum own funds requirements apply.

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

By way of the Internal Capital & Liquidity Adequacy Assessment process, the Association of Volksbanks takes all necessary measures to ensure that all risks arising from any current and proposed business activities of the Association of Volksbanks are covered by adequate liquidity and capital resources at all times. In this context, the structure of the Internal Capital & Liquidity Adequacy Assessment process depends on regulatory requirements and the supervisory expectations of the ECB, as well as on internal guidelines.

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure regulations pursuant to Regulation (EU) no. 575 / 2013 (CRR) and Directive 2013/36/EU (CRD IV) on the bank's own website under *www.volksbank-wien.at/volksbanken-verbund/verbund-offenlegung*.

The ICAAP implemented is based on the business strategy, strategic planning, risk profile and risk strategy of the Association of Volksbanks. The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk bearing capacity calculation, annually for risk inventory and determination of the risk strategy). All the process steps described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current general conditions if necessary; they are approved by the Managing Board of the CO.

By identifying the main risks in the risk inventory, by quantifying and aggregating risks, by determining the risk-bearing capacity, by setting limits and carrying out stress tests, it is possible to demonstrate that the risks assumed are sufficiently covered by adequate internal capital at all times, and to ensure such cover also in future. Thus, all measures are taken to meet the regulatory requirements for comprehensive risk management.

The respective risk management procedures are up to date and are continuously improved and developed. They are appropriate to the risk profile and strategy of the Association of Volksbanks.

As part of the annual SREP (Supervisory Review and Evaluation Process), the Managing Board of VOLKSBANK WIEN AG submits the “Capital Adequacy Statement” (CAS) to the supervisory authority, which contains statements on the capital adequacy of the Association of Volksbanks. In the Capital Adequacy Statement, the capital resources of the Association of Volksbanks are assessed as adequate and the risk management as solid and robust. The adequacy of capital resources is determined in particular by the level of the CET1 ratio. The CET1 ratio of the Association of Volksbanks as at 31 December 2020 was 14.13 %. The total capital ratio as at 31 December 2020 was 19.16 %.

The CET1 demand, as determined for the Association of Volksbanks, amounts to 10.41 % and comprises the following: Pillar 1 CET1 requirement of 4.5 %, Pillar 2 requirement of 1.41 %, capital conservation buffer of 2.5 %, systemic risk buffer of 1.0 %, buffer for systemically important institutions of 1.0 %, and Pillar 2 Guidance of 1.0 %. Any AT1/Tier 2 shortfall will increase the CET1 requirement accordingly.

The Tier 1 capital requirement amounts to 11.38 % (Pillar 1 requirement of 6.0 %, Pillar 2 requirement of 1.88 %, capital conservation buffer of 2.5 %, systemic risk buffer of 1.0 %, buffer for systemically important institutions of 1.0 %).

The total capital requirement amounts to 14.00 % (Pillar 1 requirement of 8.0 %, Pillar 2 requirement of 2.50 %, capital conservation buffer of 2.5 %, systemic risk buffer of 1.0 %, buffer for systemically important institutions of 1.0 %).

As of December 2020, the higher requirement of systemic risk buffer and buffer for systemically important institutions must be maintained. The entry into force of the amendment to the Austrian Banking Act, which requires the systemic risk buffer and the buffer for systemically important institutions to be held in aggregate, is expected to lead to a reduction in the ratios.

As at 31 December 2020, 53.40 % of available risk covering potentials in the economic perspective were utilised.

The capital situation was consistently stable in 2020. The rating agency Fitch has given the Association of Volksbanks a BBB rating. Fitch rates the outlook for the rating as negative.

6.2 Own funds requirement

CRR Art 438 (c) to (f), EU OV1

EU OV1 – Overview of risk-weighted assets (RWA)

			RWA		Minimum own funds requirements
			31 Dec. 2020	31 Dec. 2019	31 Dec. 2020
	1	**Credit risk (without CCR)**	**12,346,328**	**12,860,704**	**987,706**
Article 438(c) and (d)	2	in the standardised approach	12,346,328	12,860,704	987,706
Article 438(c) and (d)	3	in the Foundation IRB approach (FIRB)			
Article 438(c) and (d)	4	in the Advanced IRB approach (AIRB)			
Article 438(d)	5	Participations under the IRB approach using the simple risk weighting approach or the IMA			
Article 107 Article 438(c) and (d)	**6**	**Counterparty credit risk (CCR)**	**69,353**	**67,068**	**5,548**
Article 438(c) and (d)	7	according to fair value measurement	19,372	22,606	1,550
Article 438(c) and (d)	8	according to original exposure method			
	9	according to standardised method			
	10	according to the internal model method (IMM)			
Article 438(c) and (d)	11	risk-weighted exposure amount for contributions to the default fund of a CCP	-	-	-
Article 438(c) and (d)	12	CVA	49,981	44,462	3,998
Article 438(e)	**13**	**Performance risk**	**-**	**-**	**-**
Article 449(o)(i)	**14**	**Securitisation exposures in the banking book (after application of the ceiling)**	-	-	-
	15	in the IRB approach			
	16	in the supervisory formula approach (SFA) to IRB			
	17	in the internal assessment approach (IAA)			
	18	in the standardised approach	-	-	-
Article 438(e)	**19**	**Market risk**	**37,895**	**84,611**	**3,032**
	20	in the standardised approach	37,895	84,611	3,032
	21	in the IMA			
Article 438(e)	**22**	**Large exposures**	-	-	-
Article 438(f)	**23**	**Operational risk**	**1,183,790**	**1,230,771**	**94,703**
	24	in the basic indicator approach			
	25	in the standardised approach	1,183,790	1,230,771	94,703
	26	in the advanced measurement approach			
Article 437(2), Article 48 and Article 60	**27**	**Amounts below the limits for deductions (subject to a 250 % risk weighting)**	**537,350**	**566,852**	**42.988**
Article 500	**28**	**Adjustment of the floor**			
	29	**Other exposure contributions**	-	-	-
	30	**Total**	**14,174,717**	**14,810,005**	**1,133,977**

6.3 Participations of insurance undertakings that were not deducted

CRR Art 438 (d), EU INS1

The relevant regulation is not applicable to the Association of Volksbanks as at 31 December 2020.

6.4 IFRS transitional provisions

The adjustment amount of the IFRS transitional provisions is calculated from the sum of the increase in risk provisions upon first-time application of IFRS 9 and the increases in risk provisions in Stage 1 and Stage 2 between first-time application and 31 December 2019 as well as the increase from 1 January 2020 and the current balance sheet date. In the event of a negative increase, the corresponding summand is limited by 0. Post-model adjustments are included in the respective levels of risk provisions. Deferred taxes are deducted from these totals, and the values calculated in this way are scaled using time-dependent factors specified in the CRR. The adjustment amount thus calculated is added to the Tier 1 capital and, on the other hand, added to the total exposure in accordance with paragraph 7a multiplied by the adjustment amount with a uniform risk weight.

IFRS9 Transitional Provisions:
Comparison of the institutions' own funds, and their capital and leverage ratios with and without application of the transitional provisions for IFRS 9, or comparable expected credit losses, and with and without application of the temporary treatment under Article 468 CRR

		a	b	c	d	e
	Available capital (amounts)	**T**	**T-1**	**T-2**	**T-3**	**T-4**
1	Common Equity Tier 1 (CET1)	2,002,348,947				
2	Common Equity Tier 1 (CET1) in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	1,902,213,602				
2a	Common Equity Tier 1 (CET1) in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income according to Article 468 CRR	1,902,213,602				
3	Tier 1 capital	2,222,348,947				
4	Tier 1 capital in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	2,122,213,602				
4a	Tier 1 capital in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income according to Article 468 CRR	2,122,213,602				
5	Total capital	2,716,491,012				
6	Total capital in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	2,616,355,667				
6a	Total capital in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income according to Article 468 CRR	2,616,355,667				
Common Equity Tier 1 (CET1): regulatory adjustments						
7	Total amount of risk-weighted assets	14,174,716,572				
8	Total amount of risk-weighted assets in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	14,103,742,054				
Capital ratios						
9	Common Equity Tier 1 (as a percentage of the total amount of exposures)	14.13 %				
10	Common Equity Tier 1 (as a percentage of the total amount of exposures) in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	13.49 %				
10a	Common Equity Tier 1 (as a percentage of the total amount of exposures) in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income under Article 468 CRR	14.13 %				
11	Tier 1 capital (as a percentage of the total amount of exposures)	15.68 %				
12	Tier 1 capital (as a percentage of the total amount of exposures) in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	15.05 %				
12a	Tier 1 capital (as a percentage of the total amount of exposures) in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income under Article 468 CRR	15.68 %				
13	Total capital (as a percentage of the total amount of exposures)	19.16 %				
14	Total capital (as a percentage of the total amount of exposures) in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	18.55 %				
14a	Total capital (as a percentage of the total amount of exposures) in the event of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income under Article 468 CRR	19.16 %				
Leverage ratio						
15	Leverage ratio exposure (LRE)	30,413,715,367				
16	Leverage ratio	7.31 %				
17	Leverage ratio in the event of non-application of the transitional provisions for IFRS 9 or comparable expected credit losses	7.00 %				
17a	Leverage ratio in case of non-application of the temporary treatment of gains and losses recognised at fair value, not realised in other comprehensive income according to Article 468 CRR	7.31 %				

7 Macroprudential supervision

7.1 Countercyclical capital buffer

CRR Art 440

Geographical distribution of credit exposures essential for calculating the countercyclical capital buffer

	General credit exposures		Exposures in the trading book		Securitisation positions		Own funds requirements				Weightings of own funds requirements	Countercyclical capital buffer rate
	Exposure value (SA)	Exposure value (IRB)	Total long and short positions in the trading book	Value of exposures in the trading book (internal models)	Exposure value (SA)	Exposure value (IRB)	Of which: General credit exposures	Of which: Exposures in the trading book	Of which: Securitisation exposures	Total		
Breakdown by country												
AT	22,242,380	-	2,650	-	-	-	968,474	142	-	968,616	94.3 %	0.000 %
DE	907,993	-	4,302	-	-	-	40,055	-	-	40,055	3.9 %	0.000 %
NL	185,908	-	-	-	-	-	4,228	-	-	4,228	0.4 %	0.000 %
FR	275,729	-	-	-	-	-	2,610	-	-	2,610	0.3 %	0.000 %
UK	105,968	-	-	-	-	-	2,198	-	-	2,198	0.2 %	0.000 %
CH	48,939	-	-	-	-	-	1,891	-	-	1,891	0.2 %	0.000 %
US	23,916						1,162			1,162	0.1 %	0.000 %
Total	**23,790,832**	**0**	**6,952**	**0**	**0**	**0**	**1,020,618**	**142**	**0**	**1,020,759**	**100 %**	**0.001 %**

Amount of institution-specific countercyclical capital buffer

	Column
Total amount of exposures	14,174,717
Institution-specific countercyclical capital buffer rate	0.001 %
Requirement for the institution-specific countercyclical capital buffer	102

7.2 Indicators of global systemic relevance

CRR Art 441

The Association of Volksbanks is classified as a non-global systemically important group.

8 Information on credit risk and credit risk mitigation

8.1 General qualitative information on credit risks

EU CRB-A

Definition of “overdue” and “non-performing”

CRR Art 442 a)

Loans are considered overdue if payments on interest and/or principal have been outstanding for at least one day or if the committed credit limits have been exceeded for at least one day. All loans classified in credit rating class 5 are considered to be defaulted (non-performing).

Methods for determining specific and general credit risk adjustments

CRR Art 442 b)

Impairment is calculated and recognised for the following financial instruments:

- For financial assets at amortised cost (AC), lease receivables in accordance with IAS 17 and active contract items in accordance with IFRS 15, impairment is recognised by way of a risk provision.
- In case of purchased or originated credit-impaired financial assets (POCI), the impairment is taken into account in the credit risk-adjusted effective interest rate[1]. If the amount of estimated loss has changed since the time of addition, this is reported as a risk provision.
- Impairments of irrevocable loan commitments and financial guarantees are reported as provisions in liabilities.
- For debt instruments classified as fair value through other comprehensive income (FVTOCI) in accordance with IFRS 9, the impairment is recognised through other comprehensive income (OCI).

The impairment does not have to be calculated and reported separately for the following financial instruments:

- The impairment rules do not apply to financial instruments carried at fair value through profit or loss (FVTPL; “Financial at Fair Value through Profit and Loss”), as the fair value already takes impairment into account.
- As equity instruments must always be accounted for at fair value under IFRS 9, the impairment rules generally do not apply to them.

Under IFRS 9, the amount of the impairment is determined by a dual approach, which results in an impairment of either the 12-month expected credit loss or the lifetime expected credit loss. The loss estimates differ primarily in terms of the time horizon for which the probability of default is considered.

12-month Expected Credit Loss (Stage 1) if:

[1] Within the Association, POCI is defined as all financial instruments that were already included in rating class 5 at the time of addition

- the credit risk has not increased significantly since addition, or
- the credit risk of the financial instrument is low on the reporting date (low credit risk exemption)

Lifetime expected credit loss (Stage 2 and 3) if:

- the credit risk has increased significantly since addition, or
- the financial instrument is “credit impaired” at the reporting date, or
- the financial instrument was “credit impaired” at the time of acquisition (Purchased/Originated Credit Impaired Assets)

Impairment or risk provisions are subsequently determined either at individual transaction level or at portfolio level. To determine the impairment at individual transaction level, the expected cash flows are compared with the contractual cash flows of the respective transactions (ECF method). When determining impairment at portfolio level, the calculation is also carried out individually for each transaction, but the parameters used for this purpose (PD, LGD, transfer thresholds) are derived from portfolios/groups with the same risk characteristics.

Portfolio loan loss provision: For positions classified in Stage 1 or Stage 2, the calculation of the expected loss is generally performed at portfolio level (portfolio analysis in Stage 1 and Stage 2).

For loan exposures in rating class 5 (Stage 3), the impairment is determined on the basis of the significance of the customer of the Association:

- Individual analysis in Stage 3: Exposure amount of the customer of the Association at least euro 750,000
- Portfolio analysis in Stage 3: Exposure amount of the customer of the Association less than euro 750,000

If unexpected (redemption) payments are received, the risk provision in the balance sheet will be reduced accordingly.

Changes in the estimate of the amount or timing of the expected cash flows (e.g. by accepting additional collaterals) lead to a recalculation of the impairment; the original effective interest rate continues to be decisive for discounting. The impairment is adjusted to the recalculated requirement through profit or loss. If the reason for the impairment no longer applies, the impairment is reversed in full through profit or loss. The upper limit is the notional amortised cost of the receivable as it would have been without any impairment at the current reporting date.

Risk provisions relating to COVID-19

Under IFRS 9, expected credit losses are determined using future-oriented information, models and data. The model-based calculation alone (via SAP-RBD) does not currently lead to an appropriate result, as certain developments due to the COVID-19 crisis are not yet reflected in the available data. Therefore, the result of the model-based determination is adjusted to take account of these developments (post-model adjustment) Various sources of risk and uncertainty are identified for the Association of Volksbanks, quantified at individual customer level using a predefined methodology, and reported as a post-model adjustment as at the reporting date of 31 December 2020.

Foreign currency loans and loans with repayment vehicles

FMA-FXTT-MS

The following indicators were used and reviewed within the Association of Volksbanks in accordance with margin no. 50 of the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles:

a. The foreign currency loan volume to borrowers not hedged as defined in margin no. 14 represents at least 10 % of an institution's total loan portfolio (total loan portfolio means total lending to non-banks pursuant to Section 2 no. 22 of the Austrian Banking Act excluding the government sector), or
b. significant legal or operational risks are to be expected due to foreign currency and repayment vehicle loans, or
c. the expected funding gap for repayment vehicle loans of the institution at aggregate level is at least 20 %.

The review of the indicators has shown that no disclosure is required to provide a comprehensive picture of the risk profile in accordance with margin no. 51 of the FMA Minimum Standards on the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles, as none of the above indicators were met as at 31 December 2020.

8.2 Quantitative information on credit risks

CRR Art 442 c) - i)

The quantitative information presented in this chapter is based on the definitions and quantities to be applied to regulatory reporting in accordance with CRR as well as the regulatory scope of consolidation of the Association of Volksbanks, and may accordingly differ from the financial reporting under IFRS.

Exposures after netting and before credit risk mitigation

EU CRB-B

EU CRB-B – Total amount and average net amount of exposures

		a	b
	Exposure class	Net value of exposures at the end of the reporting period	Average of net exposures during the reporting period
1	Central governments or central banks		
2	Institutions		
3	Companies		
4	of which: Special financing		
5	of which: SME		
6	Retail business		
7	Exposures secured by real estate		
8	SME		
9	Non-SME		
10	Qualified revolving		
11	Other retail business		
12	SME		
13	Non-SME		
14	Investment exposures		
15	**Total amount under the IRB approach**		
16	Central governments or central banks	5,005,160	4,182,471
17	Regional or local authorities	323,823	333,160
18	Public bodies	218,809	222,960
19	Multilateral development banks	33,880	33,404
20	International organisations	66,335	63,495
21	Institutions	128,831	160,087
22	Companies	4,160,614	4,051,266
23	of which: SME	3,263,895	3,164,496
24	Retail business	5,196,200	5,318,025
25	of which: SME	2,700,217	2,776,626
26	Secured by real estate	14,596,084	14,448,860
27	of which: SME	7,299,348	7,196,608
28	Defaulted exposures	286,920	315,831
29	Exposures involving particularly high risk	698,365	729,959
30	Covered bonds	1,013,752	1,039,824
31	Exposures to institutions and companies with short-term credit ratings	0	20
32	Undertakings for collective investment	136,380	143,215
33	Investment exposures	239,319	231,817
34	Other items	964,161	948,798
35	**Total amount in the standardised approach**	**33,068,633**	**32,223,192**
36	**Total**	**33,068,633**	**32,223,192**

Breakdown of classes of exposures by geographical distribution

EU CRB-C

EU CRB-C – Geographical breakdown of exposures

		a	b	c	d	e	f	g	l	m	n
		Net value									
		Austria		Europe (excl. Austria)						Other geographical areas	Total
	Exposure class		AT		DE	CH	LI	SI	Rest		
1	Central governments or central banks										
2	Institutions										
3	Companies										
4	Retail business										
5	Investment exposures										
6	**Total amount under the IRB approach**										
7	Central governments or central banks	4,393,610	4,393,610	606,993	6,201	-	-	23,995	576,797	4,556	5,005,160
8	Regional or local authorities	282,952	282,952	40,871	40,871	-	-	-	-	-	323,823
9	Public bodies	217,761	217,761	1,048	-	-	-	-	1,048	-	218,809
10	Multilateral development banks	-	-	-	-	-	-	-	-	33,880	33,880
11	International organisations	28,833	28,833	-	-	-	-	-	-	37,502	66,335
12	Institutions	55,383	55,383	40,073	32,193	6,861	-	0	1,019	33,375	128,831
13	Companies	3,949,059	3,949,059	187,147	97,193	6,705	4,996	4,002	74,252	24,407	4,160,614
14	Retail business	5,075,545	5,075,545	118,340	76,958	8,533	2,281	6,290	24,279	2,315	5,196,200
15	Secured by real estate	13,966,869	13,966,869	616,156	482,775	32,627	13,834	4,939	81,980	13,059	14,596,084
16	Defaulted exposures	265,534	265,534	21,327	6,567	1,270	25	2,045	11,421	60	286,920
17	Exposures involving particularly high risk	555,729	555,729	142,635	140,940	403	-	-	1,292	0	698,365
18	Covered bonds	293,903	293,903	715,444	179,830	1,029	-	-	534,585	4,404	1,013,752
19	Exposures to institutions and companies with short-term credit ratings	-	-	-	-	-	-	-	-	-	-
20	Undertakings for collective investment	113,727	113,727	22,653	-	-	-	-	22,653	-	136,380
21	Investment exposures	238,624	238,624	695	22	-	-	661	12	0	239,319
22	Other items	964,161	964,161	-	-	-	-	-	-	-	964,161
23	**Total amount in the standardised approach**	**30,401,690**	**30,401,690**	**2,513,384**	**1,063,549**	**57,428**	**21,136**	**41,931**	**1,329,339**	**153,559**	**33,068,633**
24	**Total**	**30,401,690**	**30,401,690**	**2,513,384**	**1,063,549**	**57,428**	**21,136**	**41,931**	**1,329,339**	**153,559**	**33,068,633**

The increase in the COREP net carrying amount or the average COREP net carrying amount of the CRSA total exposure is mainly driven by an increase in the “Central governments/central banks” exposure class. This is also reflected in tables CRB-B to CRB-E.

Breakdown of classes of exposures by economic sector

EU CRB-D

EU CRB-D – Concentration of exposures to economic sectors or types of counterparties

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v
	Exposure class	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing sector	Energy supply	Water supply	Construction / building	Trade	Transport and storage	Hospitality / accommodation and gastronomy	Information and communication	Finance and insurance	Real estate and housing	Provision of professional, scientific and technical services	Provision of other economic services	Public administration and defence; social security	Education and teaching	Health and social services	Art, entertainment and recreation	Private households	Extraterritorial organisations	Provision of other services	Total
1	Central governments or central banks																						
2	Institutions																						
3	Companies																						
4	Retail business																						
5	Investment exposures																						
6	**Total amount under the IRB approach**																						
7	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	3,746,436	0	0	0	1,258,724	0	0	0	0	0	0	**5,005,160**
8	Regional or local authorities	0	0	0	0	722	74	7	0	0	0	0	0	0	2,669	313,311	175	0	0	0	0	6,865	**323,823**
9	Public bodies	1	0	0	0	28,211	2,002	0	4,814	0	0	0	2,711	0	455	112,467	79	24	0	0	0	68,045	**218,809**
10	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	6,593	0	0	0	0	0	0	0	0	27,288	0	**33,880**
11	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11,116	0	0	0	0	55,219	0	**66,335**
12	Institutions	0	0	0	0	0	0	0	0	0	0	115,191	0	13,641	0	0	0	0	0	0	0	0	**128,831**
13	Companies	83,121	11,456	355,822	65,012	31,335	353,872	550,180	163,722	536,731	58,346	105,250	1.079,583	358,025	77,611	16,891	5,134	86,586	27,324	9,183	2,013	183,418	**4,160,614**
14	Retail business	192,805	9,094	252,384	22,596	9,842	342,329	551,356	87,591	262,529	38,823	51,275	465,472	205,172	78,455	217	13,024	238,333	27,199	2,294,319	56	53,328	**5,196,200**
15	Secured by real estate	371,366	10,061	296,972	75,996	21,536	546,932	551,867	105,554	1,254,858	53,455	107,591	3.789,428	426,903	105,673	74	12,136	274,884	46,169	6,219,976	420	324,234	**14,596,084**
16	Defaulted exposures	21,995	19	26,293	651	11	12,983	29,153	4,615	43,558	3,853	2,863	51,933	10,545	4,982	0	466	3,681	1,478	3,208	0	64,633	**286,920**
17	Exposures involving particularly high risk	2,522	0	3,118	0	0	262,658	3,855	0	5,235	0	2,997	376,925	12,922	14,776	0	469	288	388	9	0	12,203	**698,365**
18	Covered bonds	0	0	0	0	0	0	0	0	0	0	1,010,712	0	0	0	3,040	0	0	0	0	0	0	**1,013,752**
19	Exposures to institutions and companies with short-term credit ratings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
20	Undertakings for collective investment	0	0	0	0	0	0	0	0	0	0	136,380	0	0	0	0	0	0	0	0	0	0	**136,380**
21	Investment exposures	0	0	0	134	36	928	63	4,611	0	4,082	37,744	7,744	183,202	1	686	0	0	0	0	0	87	**239,319**
22	Other items	0	0	20	0	0	0	24	256	240	0	4,585	15,194	24,651	308	20,100	0	0	0	0	0	898,783	**964,161**
23	**Total amount in the standardised approach**	**671,809**	**30,629**	**934,610**	**164,389**	**91,693**	**1,521,778**	**1,686,505**	**371,163**	**2,103,151**	**158,560**	**5,327,616**	**5,788,991**	**1,235,061**	**284,930**	**1,736,626**	**31,483**	**603,796**	**102,558**	**8,526,696**	**84,996**	**1,611,595**	**33,068,633**
24	**Total**	**671,809**	**30,629**	**934,610**	**164,389**	**91,693**	**1,521,778**	**1,686,505**	**371,163**	**2,103,151**	**158,560**	**5,327,616**	**5,788,991**	**1,235,061**	**284,930**	**1,736,626**	**31,483**	**603,796**	**102,558**	**8,526,696**	**84,996**	**1,611,595**	**33,068,633**

Breakdown of classes of exposures by residual term

EU CRB-E

EU CRB-E – Residual term of exposures

		a	b	c	d	e	f
		Net value of exposure					
	Exposure class	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No specified term	Total
1	Central governments or central banks						
2	Institutions						
3	Companies						
4	Retail business						
5	Investment exposures						
6	**Total amount under the IRB approach**						
7	Central governments or central banks	3,746,436	25,154	215,767	1,011,819	5,984	**5,005,160**
8	Regional or local authorities	4,481	1,385	49,660	199,467	24,848	**279,840**
9	Public bodies	5,697	1,293	4,672	33,709	1,450	**46,822**
10	Multilateral development banks	0	10,101	12,197	11,582	0	**33,880**
11	International organisations	0	3,898	25,234	37,203	0	**66,335**
12	Institutions	20,236	14,451	24,471	20,515	19,835	**99,507**
13	Companies	424,308	106,929	478,732	1,996,686	65,916	**3,072,570**
14	Retail business	527,635	64,785	545,280	2,106,071	71,921	**3,315,692**
15	Secured by real estate	520,789	194,339	693,594	12,279,096	257,969	**13,945,786**
16	Defaulted exposures	36,324	7,044	37,480	165,847	28,047	**274,742**
17	Exposures involving particularly high risk	259,973	143,425	119,468	28,023	18,396	**569,285**
18	Covered bonds	0	38,924	306,484	668,344	0	**1,013,752**
19	Exposures to institutions and companies with short-term credit ratings	0	0	0	0	0	**0**
20	Undertakings for collective investment	0	0	0	0	24,783	**24,783**
21	Investment exposures	0	0	0	0	239,319	**239,319**
22	Other items	0	0	0	0	962,534	**962,534**
23	**Total amount in the standardised approach**	**5,545,877**	**611,729**	**2,513,039**	**18,558,361**	**1,721,002**	**28,950,008**
24	**Total**	**5,545,877**	**611,729**	**2,513,039**	**18,558,361**	**1,721,002**	**28,950,008**

Presentation of credit quality

EU-CR1-A

EU CR1-A – Credit quality of exposures by exposure class and instrument

		a	b	c	d	e	f	g
		Gross carrying amounts of		Specific credit risk adjustment	General credit risk adjustment	Cumulative impairment	Expenses for credit risk adjustments in the reporting period	Net values
	Exposure class	defaulted exposures	non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks							
2	Institutions							
3	Companies							
4	of which: Special financing							
5	of which: SME							
6	Retail business							
7	Exposures secured by real estate							
8	SME							
9	Non-SME							
10	Qualified revolving							
11	Other retail business							
12	SME							
13	Non-SME							
14	Investment exposures							
15	**Total amount under the IRB approach**							
16	Central governments or central banks	0	5,005,361	201	0	0	0	**5,005,160**
17	Regional or local authorities	0	323,947	124	0	0	-49	**323,823**
18	Public bodies	0	218,856	47	0	0	39	**218,809**
19	Multilateral development banks	0	33,897	17	0	0	0	**33,880**
20	International organisations	0	66,363	28	0	0	0	**66,335**
21	Institutions	0	128,892	60	0	0	9	**128,831**
22	Companies	0	4,191,757	31,143	0	0	8,841	**4,160,614**
23	of which: SME	0	3,291,593	27,698	0	0	9,791	**3,263,895**
24	Retail business	0	5,230,116	33,916	0	0	10,375	**5,196,200**
25	of which: SME	0	2,720,137	19,920	0	0	9,641	**2,700,217**
26	Secured by real estate	0	14,623,719	27,635	0	0	14,736	**14,596,084**
27	of which: SME	0	7,317,295	17,947	0	0	14,698	**7,299,348**
28	Defaulted exposures	481,556	0	194,636	0	3,301	32,734	**286,920**
29	Exposures involving particularly high risk	0	699,992	1,628	0	0	5,195	**698,365**
30	Covered bonds	0	1,014,231	479	0	0	0	**1,013,752**
31	Exposures to institutions and companies with short-term credit ratings	0	0	0	0	0	0	**0**
32	Undertakings for collective investment	0	136,380	0	0	0	2	**136,380**
33	Investment exposures	0	239,319	0	0	0	1	**239,319**
34	Other items	0	964,161	0	0	0	0	**964,161**
35	**Total amount in the standardised approach**	**481,556**	**32,876,991**	**289,914**	**0**	**3,301**	**71,883**	**33,068,633**
36	**Total**	**481,556**	**32,876,991**	**289,914**	**0**	**3,301**	**71,883**	**33,068,633**
37	of which: Loans	462,056	26,237,923	281,784	0	3,301	71,883	**26,418,196**
38	of which: Bonds	0	2,532,610	798	0	0	0	**2531,812**
39	of which: Off-balance sheet exposures	19,500	4,106,458	7,333	0	0	0	**4,118,625**

The reduction in defaulted exposures within the Association is the result of the targeted improvement in portfolio quality. In the risk strategy, reductions in the NPL ratio are f particularly high importance, and the result of the targeted NPL reduction is reflected in the figures in CR1-A to CR1-C.

As a result of the government support measures, possible effects of the COVID-19 crisis are not yet evident in the defaulted exposures as at 31 December 2020.

EU CR1-B

EU CR1-B – Credit quality of exposures by industry or type of counterparty

	Exposure class	a	b	c	d	e	f	g
		Gross carrying amounts of		Specific credit risk adjustment	General credit risk adjustment	Cumulative impairment	Expenses for credit risk ad-justments in the reporting period	Net values
		defaulted exposures	non-defaulted exposures					(a+b-c-d)
1	Agriculture, forestry and fishing	33,565	653,806	15,562	0	117	3,867	**671,809**
2	Mining and quarrying	138	30,679	188	0	0	53	**30,629**
3	Manufacturing sector	47,678	912,638	25,706	0	916	5,129	**934,610**
4	Energy supply	979	164,575	1,166	0	0	455	**164,389**
5	Water supply	115	91,794	216	0	0	17	**91,693**
6	Construction / building	22,817	1,514,872	15,911	0	13	2,129	**1,521,778**
7	Trade	45,051	1,666,225	24,771	0	29	6,789	**1,686,505**
8	Transport and storage	6,605	368,454	3,896	0	0	1,500	**371,163**
9	Hospitality / accommodation and gastronomy	72,247	2,074,127	43,224	0	1,431	20,946	**2,103,151**
10	Information and communication	5,394	155,397	2,231	0	71	292	**158,560**
11	Finance and insurance	3,957	5,326,131	2,471	0	31	435	**5,327,616**
12	Real estate and housing	82,974	5,756,958	50,941	0	385	17,480	**5,788,991**
13	Provision of professional, scientific and technical activities	18,702	1,228,699	12,340	0	85	3,266	**1,235,061**
14	Provision of other economic services	7,543	281,762	4,375	0	18	1,684	**284,930**
15	Public administration and defence; social security	0	1,736,976	350	0	0	9	**1,736,626**
16	Education and teaching	609	31,136	263	0	0	76	**31,483**
17	Health and social services	8,244	602,301	6,749	0	6	1,678	**603,796**
18	Art, entertainment and recreation	3,485	101,595	2,522	0	46	506	**102,558**
19	Private households	4,515	8,543,863	21,682	0	20	268	**8,526,696**
20	Extraterritorial organisations	0	85,033	37	0	0	-0	**84,996**
21	Provision of other services	116,937	1,549,972	55,314	0	132	5,304	**1,611,595**
22	**Total**	**481,556**	**32,876,991**	**289,914**	**0**	**3,301**	**71,883**	**33,068,633**

EU CR1-C

EU CR1-C Credit quality of exposures by geographical area

	Exposure class		a	b	c	d	e	f	g
			Gross carrying amounts of		Specific credit risk adjustment	General credit risk adjustment	Cumulative impairment	Expenses for credit risk ad-justments in the reporting period	Net values
			defaulted exposures	non-defaulted exposures					(a+b-c-d)
1	Austria		**429,115**	**30,227,492**	**254,917**	**0**	**3,279**	**69,531**	**30,401,690**
2		AT	429,115	30,227,492	254,917	0	3,279	69,531	**30,401,690**
3	Europe (excl. Austria)		**46,930**	**2,501,167**	**34,714**	**0**	**22**	**2,320**	**2,513,384**
4		DE	9,268	1,059,275	4,994	0	0	-284	**1,063,549**
5		CH	4,005	56,343	2,919	0	0	-112	**57,428**
6		LI	69	21,195	128	0	0	24	**21,136**
7		SI	3,127	39,970	1,166	0	0	97	**41,931**
8			0	0	0	0	0	0	**0**
9			0	0	0	0	0	0	**0**
10			0	0	0	0	0	0	**0**
11			0	0	0	0	0	0	**0**
12		Rest	30,461	1,324,384	25,506	0	22	2,595	**1,329,339**
13	Other geographical areas		**5,511**	**148,332**	**284**	**0**	**0**	**32**	**153,559**
14	**Total**		**481,556**	**32,876,991**	**289,914**	**0**	**3,301**	**71,883**	**33,068,633**

Non-performing exposures (NPEs) and forborne exposures (FBEs)

NPL-01

NPL-01 | Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Cumulative impairment, cumulative negative changes in fair value due to default risks and provisions		Collaterals received and financial guarantees received for forborne exposures	
		Performing forborne	Non-performing forborne forborne	Thereof defaulted	Thereof impaired	For performing forborne exposures	For non-performing forborne exposures		Of which collaterals and financial guarantees received for non-performing exposures with forbearance measures
1	**Loans and credits**	**637,634**	**176,500**	**176,500**	**172,315**	**-23,985**	**-60,320**	**649,625**	**126,268**
2	Central banks	0	0	0	0	0	0	0	0
3	General governments	0	0	0	0	0	0	0	0
4	Credit institutions	0	0	0	0	0	0	0	0
5	Other financial corporations	8,263	186	186	186	-156	-16	5,589	186
6	Non-financial corporations	242,721	95,653	95,653	95,274	-10,161	-36,219	254,737	66,176
7	Private households	386,650	80,660	80,660	76,856	-13,668	-24,085	389,299	59,906
8	**Debt instruments**	-	-	-	-	0	0	-	-
9	**Loan commitments given**	**21,325**	**3,714**	**3,714**	**3,714**	**109**	**663**	**14,597**	**2,337**
10	**Total**	**658,958**	**180,214**	**180,214**	**176,030**	**-24,094**	**-60,983**	**664,222**	**128,605**

As a result of the COVID-19 crisis, there was a sharp increase in the forbearance portfolio of the Association in 2020, particularly in the performing portfolio.

NPL-03

NPL -03| Credit quality of performing and non-performing exposures by days in arrears

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures	Not overdue or ≤ 30 days overdue	Overdue > 30 days ≤ 90 days	Non-performing exposures	Unlikely payments not overdue or ≤ 90 days overdue	Overdue > 90 days ≤ 180 days	Overdue > 180 days ≤ 1 year	Overdue > 1 year ≤ 2 years	Overdue > 2 years ≤ 5 years	Overdue > 5 years ≤ 7 years	Overdue > 7 years	Thereof defaulted
1	**Loans and credits**	**21,579,154**	**21,550,796**	**28,359**	**474,177**	**257,078**	**22,440**	**43,833**	**55,729**	**45,594**	**13,240**	**36,263**	**474,177**
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	281,089	281,053	36	-	-	-	-	-	-	-	-	-
4	Credit institutions	336,538	336,538	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	253,610	253,610	-	1,474	507	257	-	700	5	-	5	1,474
6	Non-financial corporations	8,605,028	8,591,731	13,298	207,472	119,364	13,518	24,356	27,765	15,595	3,197	3,678	207,472
7	Of which SMEs	7,897,449	7,885,948	11,501	202,018	119,364	12,231	22,639	25,343	15,594	3,177	3,671	202,018
8	Private households	12,102,890	12,087,864	15,026	265,231	137,207	8,665	19,477	27,264	29,994	10,043	32,581	265,231
9	**Debt instruments**	**2,532,659**	**2,532,659**	-	-	-	-	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	1,374,085	1,374,085	-	-	-	-	-	-	-	-	-	-
12	Credit institutions	957,143	957,143	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	124,507	124,507	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	76,925	76,925	-	-	-	-	-	-	-	-	-	-
15	**Off-balance sheet exposures**	**4,139,016**	-	-	**19,950**	-	-	-	-	-	-	-	**19,950**
16	Central banks	-			-								-
17	General governments	212,532			-								-
18	Credit institutions	11,935			-								-
19	Other financial corporations	179,932			12								12
20	Non-financial corporations	2,266,848			16,383								16,383
21	Private households	1,467,768			3,555								3,555
22	**Total**	**28,250,829**	**24,083,455**	**28,359**	**494,127**	**257,078**	**22,440**	**43,833**	**55,729**	**45,594**	**13,240**	**36,263**	**494,127**

The reduction in non-performing exposures, non-performing exposures overdue > 90 days and non-performing exposures overdue >30 days <=90 days within the Association is the result of the targeted improvement in portfolio quality in line with the requirements of the risk strategy. Due to the government support measures, possible effects of the COVID-19 crisis are not yet evident in the non-performing exposures as well as the DPD Buckets as at 31 December 2020.

NPL-04

NPL -04| Performing and non-performing exposures and associated provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Cumulative impairment, cumulative negative changes in fair value due to default risks and provisions							Collaterals and financial guarantees received	
		Performing exposures	Of which level 1	Of which level 2	Non-performing exposures	Of which level 1	Of which level 2	Non-performing expoPerforming exposures – cumulative impairments and provisions	Of which level 1	Of which level 2	Non-performing exposures – cumulative impairment, cumulative negative changes in fair value due to credit risks and provisions	Of which level 1	Of which level 2	Cumulative partial depreciation	For performing exposures	For non-performing exposures
1	**Loans and credits**	**21,579,154**	**18,570,900**	**2,622,765**	**474,177**	**-**	**462,170**	**-176,027**	**-78,928**	**-97,099**	**-187,968**	**-**	**-187,968**	**- 2**	**17,515,593**	**317,510**
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-
3	General governments	281,089	272,535	3,570	-	-	-	-347	-204	-142	-	-	0	-	38,109	-
4	Credit institutions	336,538	336,538	-	-	-	-	-17	-17	0	-	-	0	-	2,188	-
5	Other financial corporations	253,610	224,421	28,748	1,474	-	1,474	-1,040	-591	-450	-479	-	-479	-	138,904	1,286
6	Non-financial corporations	8,605,028	7,296,898	1,215,860	207,472	-	205,823	-84,308	-41,210	-43,098	-87,453	-	-87,453	-	6,677,543	133,145
7	Of which SMEs	7,897,449	6,681,520	1,135,499	202,018	-	200,376	-82,348	-40,970	-41,377	-81,290	-	-81,290	-	5,963,102	127,460
8	Private households	12,102,890	10,440,508	1,374,587	265,231	-	254,873	-90,315	-36,906	-53,410	-100,035	-	-100,035	- 2	10,658,850	183,079
9	**Debt instruments**	**2,532,659**	**2,527,639**	**-**	**-**	**-**	**-**	**-791**	**-791**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	1,374,085	1,372,370	-	-	-	-	- 263	- 263	-	-	-	-	-	-	-
12	Credit institutions	957,143	953,999	-	-	-	-	- 441	- 441	-	-	-	-	-	-	-
13	Other financial corporations	124,507	124,507	-	-	-	-	- 62	- 62	-	-	-	-	-	-	-
14	Non-financial corporations	76,925	76,763	-	-	-	-	- 25	- 25	-	-	-	-	-	-	-
15	**Off-balance sheet exposures**	**4,139,016**	**3,799,450**	**339,566**	**19,950**	**-**	**19,950**	**23,319**	**11,658**	**11,661**	**7,200**	**-**	**7,200**		**1,629,905**	**9,099**
16	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
17	General governments	212,532	212,076	456	-	-	-	2	2	0	-	-	-		81,422	-
18	Credit institutions	11,935	11,935	-	-	-	-	1,307	1,307	-	-	-	-		-	-
19	Other financial corporations	179,932	178,336	1,596	12	-	12	17	7	10	1	-	1		100,362	-
20	Non-financial corporations	2,266,848	2,072,137	194,711	16,383	-	16,383	20,551	9,844	10,706	6,700	-	6,700		972,133	7,794
21	Private households	1,467,768	1,324,965	142,803	3,555	-	.555	1,442	498	944	499	-	499		475,988	1,305
22	**Total**	**28,250,829**	**24,897,988**	**2,962,331**	**494,127**	**-**	**482,120**	**-200,137**	**-91,377**	**-108,761**	**-195,167**	**-**	**-195,167**	**- 2**	**19,145,498**	**326,609**

As a result of the COVID-19 crisis, there was a sharp increase in the Stage 2 performing portfolio of the Association in 2020. Due to the government support measures, any effects of the COVID-19 crisis are not yet apparent in the non-performing exposures as at 31 December 2020, but possible effects of the COVID-19 crisis have been taken into account in the accumulated impairment and provisions for the performing portfolio as part of a post-model adjustment.

Changes in the portfolio of specific and general credit risk adjustments

EU-CR2-A

EU CR2-A – Changes in the portfolio of general and specific credit risk adjustments

		a	b
		Cumulative specific credit risk adjustment	Cumulative general credit risk adjustment
1	**Opening balance**	**217,495**	**68,738**
2	Increases due to amounts provided for estimated credit losses in the reporting period	55,303	149,192
3	Decreases due to the release of amounts provided for esti-mated credit losses in the reporting period	-60,254	-35,134
4	Decreases due to amounts withdrawn from cumulative credit risk adjustments	-33,200	0
5	Transfers between credit risk adjustments	6,767	-6,767
6	Impact of exchange rate fluctuations	34	-2
7	Summary of business activities including acquisition and disposal of subsidiaries	0	0
8	Other adjustments	1,822	0
9	**Closing balance**	**187,968**	**176,027**
10	Recoveries of credit risk adjustments recognised directly in the income statement	8,912	0
11	Specific items recognised directly in the income statement Credit risk adjustments	-8,873	0

Changes in the portfolio of defaulted and impaired loans and bonds

EU-CR2-B

EU CR2-B – Changes in the portfolio of defaulted and impaired loans and bonds

		a
		Gross carrying amount of defaulted exposures
1	**Opening balance**	**573,606**
2	Loans and bonds that have defaulted or have been impaired since the last reporting period	113,815
3	Return to non-defaulted status	-26,757
4	Amounts written off	-4,476
5	Other changes	-174,632
6	**Closing balance**	**481,556**

Exposures with measures related to COVID-19

In accordance with the guidelines published by the EBA on the reporting and disclosure of exposures subject to measures related to the COVID-19 crisis (EBA/GL/2020/07), the following information is disclosed as at 31 December 2020:

Template 1:

COVID Template 1 – Information on loans and credits subject to statutory moratoria and non-statutory moratoria

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Cumulative impairment, cumulative negative changes in fair value due to default risks							Gross carrying amount
			Serviced according to contract			Non-performing				Serviced according to contract			Non-performing			
				Of which: Exposures with forbearance measures	Of which: Instruments with a significant increase in default risk after initial recognition but whose credit quality is not impaired (Stage 2)		Of which: Exposures with forbearance measures	Of which: Probable default on exposures that are not overdue or past due <= 90 days			Of which: Exposures with forbearance measures	Of which: Instruments with a significant increase in default risk after initial recognition but whose credit quality is not impaired (Stage 2)		Of which: Exposures with forbearance measures	Of which: Probable default on exposures that are not overdue or past due <= 90 days	Inflows to non-performing exposures
1	Loans and credits with moratorium	392,009	389,337	43,429	94,043	2,672	493	2,672	- 5,727	- 3,345	- 1,635	- 2,614	- 2,382	- 2,372	- 2,382	-
2	Of which: Private households	221,855	221,855	32,127	53,508	-	-	-	- 2,074	- 2,074	- 1,093	- 1,589	-	-	-	-
3	*Of which: secured by residential real estate*	108,264	108,264	14,967	30,210	-	-	-	- 744	- 744	- 286	- 627	-	-	-	-
4	Of which: Non-financial corporations	170,154	167,482	11,301	40,536	2,672	493	2,672	- 3,652	- 1,271	- 542	- 1,024	- 2,382	- 2,372	- 2,382	-
5	*Of which: Small and medium-sized enterprises*	165,857	163,185	11,301	40,536	2,672	493	2,672	- 3,642	- 1,260	- 542	- 1,024	- 2,382	- 2,372	- 2,382	-
6	*Of which: secured by commercial real estate*	107,818	107,818	11,301	25,623	-	-	-	- 823	- 823	- 542	- 672	-	-	-	-

Template 2:

COVID Template 2 – Breakdown of loans and credits subject to statutory moratoria and non-statutory moratoria, by residual term of the moratoria

		a	b	c	d	e	f	g	h	i
		Number of debtors	Gross carrying amount							
				Of which: statutory moratoria	Of which: expired	Residual term of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and credits for which a moratorium has been offered	9,288	2,833,688							
2	Loans and credits with moratorium (granted)	9,288	2,833,688	1,695,865	2,441,679	392,009	-	-	-	-
3	Of which: Private households		1,499,145	1,420,996	1,277,289	221,855	-	-	-	-
4	*Of which: secured by residential real estate*		946,465	918,308	838,201	108,264	-	-	-	-
5	Of which: Non-financial corporations		1,322,277	273,189	1,152,123	170,154	-	-	-	-
6	*Of which: Small and medium-sized enterprises*		1,247,943	271,165	1,082,086	165,857	-	-	-	-
7	*Of which: secured by commercial real estate*		938,862	152,717	831,043	107,818	-	-	-	-

Template 3:

COVID Template 3: Information on loans and credits newly granted under newly applicable state guarantee schemes in the context of the COVID-19 crisis

		a	b	c	d
		Gross carrying amount		Maximum eligible guarantee amount	Gross carrying amount
			Of which: forborne	State guarantees received	Inflows to non-performing exposures
1	**Newly granted loans and credits subject to state guarantee schemes**	282,044	53,786	254,293	486
2	Of which: Private households	48,150			75
3	Of which: secured by residential real estate	196			-
4	Of which: Non-financial corporations	233,666	44,033	210,625	411
5	Of which: Small and medium-sized enterprises	212,643			411
6	Of which: secured by commercial real estate	6,674			-

8.3 Information on credit risk mitigation

CRR Art 453 a) to e), EU CRC

Rules and procedures for on-balance sheet and off-balance sheet netting

Netting refers to the offsetting (of a total) of receivables and liabilities of the bank to a specific counterparty (borrower) to form a net receivable/net liability.

On-balance sheet netting:

According to the CRR, on-balance sheet netting is the netting of reciprocal receivables (loans and deposits) between the bank and a counterparty (borrower), which are subject to a netting agreement, to form a "net receivable" or net liability.

The net receivable remaining after netting is used to determine the minimum own funds requirement. Any mismatches in terms of currency and maturity between receivables and liabilities are accounted for by applying haircuts.

Qualitative requirements for on-balance sheet netting under the CRR:

The credit institution must have a sound legal basis for netting that is legally enforceable under applicable law even in the event of the customer's insolvency.

The credit institution must be able at all times to determine the receivables and liabilities covered by the netting agreement.

The credit institution must monitor and manage the risks associated with the termination of collateralisation.

The credit institution must monitor and manage the exposures concerned on a net basis.

Netting is only permitted for reciprocal cash receivables in the same currency between the credit institution and the counterparty (loans and deposits); cross-group netting on both the customer and the bank side is not admissible.

Exposures that may be subject to netting:

In accordance with the CRR, netting of receivables is only recognised as permissible to the extent that the receivables or liabilities subject to a netting agreement:

- are not subject to any restriction on disposal or earmarking that would prevent offsetting at any time
- are legally valid and enforceable in all relevant jurisdictions, even in the event of the borrower's insolvency
- are denominated in the same currency.

This requirement is met by sight deposits and current account facilities without a period of notice or by reciprocal receivables and liabilities relating to current accounts (debit and credit balances).

Where the bank and the borrower are not subject to the same jurisdiction, the above conditions must be met in each of the jurisdictions concerned.

Only the netting of existing balances is permissible, but not the offsetting of any credit lines granted.

If it is not possible to offset receivables and liabilities (mutual cash balances) at any time and in particular directly in the event of the insolvency of the borrower, any netting of the related transactions is not permitted. In such a case, corresponding deposits with the credit institution could be taken into account as financial collaterals (cash collaterals) when determining the minimum own funds requirement, provided the other requirements are met.

Netting within the meaning of the CRR is therefore generally limited within the Association of Volksbanks to the mutual offsetting of receivables and liabilities without earmarking and restrictions on disposal in the interbank and commercial lending business.

Rules and procedures for the valuation and management of collaterals

The rules and procedures for the valuation of collaterals are set out uniformly in collateral manuals, which classify the collaterals admissible across the Association, determining their loan-to-value ratios and regulating regulatory eligibility. Essentially, a distinction is made between the following types of collaterals:

- Financial collaterals
- Personal collaterals
- Physical collaterals: real estate
- Life insurance policies
- Netting

The regulatory eligibility of collaterals is determined by the right (title) to the collateral, the type of the relevant object, and the fair value. Discounts resulting from applicable statutory regulations on credit risk mitigation techniques are applied to the fair value.

Market and credit risk concentrations within credit risk mitigation

A major concentration in terms of credit risk mitigation exists in the mortgage collateralisation of Austrian residential real estate. There are no significant concentrations in foreign currencies and individual addresses.

Credit risk mitigation by exposure class

CRR Art 453 f) and g), EU-CR3, EU-CR4

EU CR4 – Standardised approach – Credit risk and effect of credit risk mitigation

		a	b	c	d	e	f
		Exposures before credit conversion factor and credit risk mitigation		Exposures after credit conversion factor and credit risk mitigation		RWA and RWA density	
	Exposure class	Balance sheet amount	Off-balance-sheet amount	Balance sheet amount	Off-balance-sheet amount	RWA	RWA density
1	Central governments or central banks	5,005,160	0	5,315,820	34,882	0	0 %
2	Regional or local authorities	279,840	43,982	372,676	17,777	1,181	0 %
3	Public bodies	46,822	171,987	50,578	27,632	14,709	19 %
4	Multilateral development banks	33,880	0	33,880	0	0	0 %
5	International organisations	66,335	0	66,335	0	0	0 %
6	Institutions	99,507	29,324	125,923	11,953	35,940	26 %
7	Companies	3,072,570	1,088,043	2,846,029	393,492	2,873,553	89 %
8	Retail business	3,315,692	1,880,508	2,847,150	423,874	2,159,304	66 %
9	Secured by real estate	13,945,786	650,298	13,945,786	341,384	5,192,320	36 %
10	Defaulted exposures	274,742	12,178	256,444	4,819	276,685	106 %
11	Exposures involving particularly high risk	569,285	129,079	560,150	60,133	930,424	150 %
12	Covered bonds	1,013,752	0	1,013,752	0	101,988	10 %
13	Exposures to institutions and companies with short-term credit ratings	0	0	0	0	0	0 %
14	Undertakings for collective investment	24,783	111,597	24,783	92,897	57,033	48 %
15	Investment exposures	239,319	0	239,319	0	322,376	135 %
16	Other items	962,534	1,628	962,534	326	918,167	95 %
17	**Total**	**28,950,008**	**4,118,625**	**28,661,160**	**1,409,169**	**12,883,679**	**43 %**

The reduction in the average risk weight in the CRSA (standardised approach to credit risk) overall portfolio is mainly driven by a decline in RWA due to volume reductions in the area of “Corporate Financing” and “Retail Business” and in the category “Exposures associated with particularly high risk” (speculative real estate financing) as well as an increase in volume in the categories “Collateralised by real estate” and “Central governments/central banks” in connection with an adjustment of the SME factor.

EU CR3 – Credit risk mitigation methods – Summary of partially or fully secured exposures

		a	b	c	d	e
		Unsecured exposures – carrying amount	Secured exposures - carrying amount	Exposures secured by collaterals	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	3,298,711	15,947,227	15,190,292	756,934	0
2	Total bonds	0	16,843	0	16,843	0
3	**Total exposures**	**3,298,711**	**15,964,069**	**15,190,292**	**773,777**	**0**
4	of which: defaulted	14,389	230,854	217,950	12,904	0

Collaterals obtained by means of seizure and realisation

EBA/GL/2018/10 (dated 17/12/2018); NPL-09

NPL -09| Collaterals obtained by means of seizure and realisation

		a	b
		Collaterals received through seizure	
		Value at initial recognition	Cumulative negative changes
1	**Fixed assets**	**-**	**-**
2	**Other than fixed assets**	**8,023**	**- 1,505**
3	Residential real estate	5,695	- 755
4	Commercial real estate	643	-
5	Equity and debt instruments	1,685	- 750
6	Movable assets (car, transport, etc.)	-	-
7	Others	-	-
8	**Total**	**8,023**	**- 1,505**

8.4 Credit risk and credit risk mitigation in the standardised approach

Use of ECAI

CRR Art 444 (a) to (d), EU CRD

(lit a)

The Association of Volksbanks has appointed the rating agencies Standard & Poor’s and Moody’s irrespective of the class of exposures.

(lit b)

The credit ratings of the designated rating agencies Standard & Poor’s and Moody’s are not restricted to any classes of exposures.

(lit c)

The Association of Volksbanks applies external ratings in accordance with section Article 139 CRR.

(lit d)

The Association of Volksbanks adheres to the standard classification published by the EBA.

Credit risk according to credit rating

CRR Art 444e, EU-CR5

EU CR5 – Standardised approach / breakdown of exposures in the standardised approach by exposure class and risk weight (exposure values after credit conversion factor and credit risk mitigation)

		Risk weight																Total	of which: unrated
	Exposure class	0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Others	Deducted		
1	Central governments or central banks	5,350,702	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**5,350,702**	0
2	Regional or local authorities	384,548	0	0	0	5,905	0	0	0	0	0	0	0	0	0	0	0	**390,453**	390,453
3	Public bodies	0	0	0	0	78,211	0	0	0	0	0	0	0	0	0	0	0	**78,211**	77,163
4	Multilateral development banks	33,880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**33,880**	33,880
5	International organisations	66,335	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**66,335**	66,335
6	Institutions	150	0	0	0	117,034	0	14,372	0	0	6,319	0	0	0	0	0	0	**137,876**	64,126
7	Companies	19,665	0	0	0	82,203	64,210	9,565	62,143	0	3,001,734	0	0	0	0	0	0	**3,239,521**	3,239,521
8	Retail business	3,857	0	0	0	0	0	0	0	3,267,167	0	0	0	0	0	0	0	**3,271,024**	3,271,024
9	Secured by real estate	0	0	0	0	0	10,139,137	4,148,034	0	0	0	0	0	0	0	0	0	**14,287,171**	14,287,171
10	Defaulted exposures	0	0	0	0	0	0	0	0	0	230,420	30,843	0	0	0	0	0	**261,263**	261,263
11	Exposures involving particularly high risk	0	0	0	0	0	0	0	0	0	0	620,282	0	0	0	0	0	**620,282**	620,282
12	Covered bonds	0	0	0	1,007,628	6,124	0	0	0	0	0	0	0	0	0	0	0	**1,013,752**	21
13	Exposures to institutions and companies with short-term credit ratings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
14	Undertakings for collective investment	0	0	0	0	0	0	0	0	0	41	0	0	0	0	117,639	0	**117,680**	117,680
15	Investment exposures	80,717	0	0	0	0	0	0	0	0	49,420	0	109,182	0	0	0	0	**239,319**	239,319
16	Other items	202,080	0	0	0	1,562	0	0	0	0	653,460	0	105,758	0	0	0	0	**962,859**	962,859
17	**Total**	**6,141,934**	**0**	**0**	**1,007,628**	**291,039**	**10,203,347**	**4,171,971**	**62,143**	**3,267,167**	**3,941,394**	**651,126**	**214,940**	**0**	**0**	**117,639**	**0**	**30,070,329**	**23,631,097**

9 Counterparty credit risk

CRR Art 439 e) – f)

9.1 Analysis of counterparty credit risk by approach

EU CCR1

EU CCR1 – Analysis of counterparty credit risk by approach

		a	b	c	d	e	f	g
		Nominal value	Replacement cost / fair value	Potential future replacement value	EEPE	Multiplier	EAD after credit risk mitigation	RWA
1	Fair value measurement method		3,811	53,222			55,859	18,751
2	Original exposure method							
3	Standardised method							
4	IMM (for derivatives and securities financing transactions)							
5	of which: securities financing transactions							
6	of which: derivatives and transactions with long settlement periods							
7	of which: from contractual cross-product netting							
8	Simple method for financial collaterals (for securities financing transactions)							
9	Comprehensive method for financial collaterals (for securities financing transactions)						622	622
10	VaR of securities financing transactions							
11	**Total**							**19,372**

9.2 Own funds requirements for credit valuation adjustment (CVA)

EU CCR2

EU CCR2 – Own funds requirement for credit valuation adjustment

		a	b
		Exposure value	RWA
1	Total portfolios according to the advanced method		
2	(i) VaR component (including triple multiplier)		
3	(ii) VaR component under stress conditions (sVaR, including triple multiplier)		
4	All portfolios according to the standardised method	79,059	49,981
EU4	On the basis of the original exposure method		
5	**Total amount subject to own funds requirements for credit valuation adjustment**	**79,059**	**49,981**

9.3 Exposures to central counterparties (CCPs)

EU CCR8

EU CCR8 – Exposures to CCP

		a	b
		EAD after credit risk mitigation	RWA
1	**Exposures to qualified CCPs (total)**		**2,222**
2	Exposures arising from transactions with qualified CCPs (excluding initial margin deposits and default fund contributions)	56.761	2,222
3	of which: i) derivatives traded over the counter	56.761	2,222
4	of which: ii) listed derivatives	-	-
5	of which: iii) securities financing transactions	-	-
6	of which: iv) netting rates for which cross-product netting has been allowed	-	-
7	Separate initial margin deposit	23.383	
8	Non-separate initial margin deposit	-	-
9	Prefunded contributions to the default fund	-	-
10	Alternative calculation of own funds requirements for exposures		-
11	**Exposures to non-qualified CCPs (total)**		**-**
12	Exposures arising from transactions with non-qualified CCPs (excluding initial margin deposits and default fund contributions)	-	-
13	of which: i) derivatives traded over the counter	-	-
14	of which: ii) listed derivatives	-	-
15	of which: iii) securities financing transactions	-	-
16	of which: iv) netting rates for which cross-product netting has been allowed	-	-
17	Separate initial margin deposit	-	
18	Non-separate initial margin deposit	-	-
19	Prefunded contributions to the default fund	-	-
20	Contributions to the default fund, not prefunded	-	-

9.4 Counterparty credit risk positions by regulatory portfolio and risk

EU CCR3

EU CCR3 – Standardised approach – Counterparty credit risk positions by regulatory portfolio and risk

	Exposure class	Risk weight											Total	of which: unrated
		0 %	2 %	4 %	10 %	20 %	50 %	70 %	75 %	100 %	150 %	Others		
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public bodies	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	14,815	-	-	11,888	15,448	-	-	-	-	-	42,152	20,049
7	Companies	-	2,126	-	-	-	5,125	-	-	2,416	-	-	9,668	4,543
8	Retail business	-	-	-	-	-	-	-	1,483	-	-	-	1,483	1,483
9	Institutions and companies with short-term credit ratings	-	-	-	-	793	395	-	-	522	-	-	1,709	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**16,941**	**-**	**-**	**12,681**	**20,968**	**-**	**1,483**	**2,938**	**-**	**-**	**55,011**	**26,075**

9.5 Effects of netting and collaterals held on exposure values

EU CCR5-A

EU CCR5-A – Effects of netting and collaterals held on exposure values

		a	b	c	d	e
		Positive gross fair value or net carrying amount	Positive effects of netting	Netted current default risk position	Collaterals held	Net default risk position
1	Derivatives	170,924	123,227	47,697	45,060	2,637
2	Securities financing transactions	21,495	-	21,495	21,481	14
3	Cross-product netting	-	-	-	-	-
4	**Total**	**192,419**	**123,227**	**69,192**	**66,541**	**2,651**

9.6 Composition of collaterals for exposures subject to counterparty credit risk

EU CCR5-B

EU CCR5-B – Composition of collaterals for exposures subject to counterparty credit risk

	a	b	c	d	e	f
	Collaterals for derivative transactions				Collaterals for securities financing transactions	
	Fair value of the collateral deposited		Fair value of the collateral provided		Fair value of the collateral deposited	Fair value of the collateral provided
	Separate	Non-separate	Separate	Non-separate		
Cash collaterals in euro	-	45,060	-	410,741	21,481	-
Cash collaterals in foreign currency	-	-	-	-	-	-
Austrian government bonds	-	-	-	-	-	10,841
Non-Austrian government bonds	-	-	-	-	-	10,654
Corporate bonds	-	-	-	-	-	-
Total	**-**	**45,060**	**-**	**410,741**	**21,481**	**21,495**

9.7 Credit derivatives business

CRR Art 439 g) and h)

The Association of Volksbanks does not have any credit derivatives.

9.8 α-estimate

CRR Art 439 i)

The relevant regulation is not applicable to the Association of Volksbanks as at 31 December 2020.

10 Market risk

CRR Art 445, EU MR1

Own funds requirements for market risk under the standardised approach

EU MR1 – Market risk under the standardised approach

		a	b
		RWA	Own funds requirements
	Straightforward products		
1	Interest rate risk (general and specific)	35,963	2,877
2	Stock risk (general and specific)	-	-
3	Exchange rate risk	-	-
4	Commodity risk	-	-
	Options		
5	Simplified approach		
6	Delta-plus method	1,932	155
7	Scenario approach		
8	**Securitisation (specific risk)**	**-**	**-**
9	**Total**	**37,895**	**3,032**

11 Risk from securitization exposures

CRR Art 449

The Association of Volksbanks has no securitisation exposures.

12 Unencumbered assets

CRR Art 443

12.1 Quantitative information

Article 443 CRR – Unencumbered assets

Table A – Assets		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which recognised as EHQLA and HQLA		of which recognised as EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	50	60	80	90	100
10	**Assets of the reporting institution**	5,361,147				23,723,334			
30	Equity instruments	19,841				212,139			
40	Debt instruments	61,637		63,759		2,502,032		2,951,670	
50	of which: covered bonds	24,411		24,900		1,000,827		1,040,921	
60	of which: asset-backed securities	0		0		0		0	
70	of which: issued by governments	37,141		38,901		1,325,617		1,714,470	
80	of which: issued by financial companies	24,411		24,900		1,101,750		1,137,021	
90	of which: issued by non-financial companies	0		0		80,447		87,082	
120	Other assets	5,288,545		-	-	21,001,604.05		-	-
121	of which:			-	-			-	-

Table B – Collaterals received		Fair value of encumbered collaterals received or debt instruments issued		unencumbered Fair value of collaterals received or own debt instruments issued eligible for encumbrance	
			of which recognised as EHQLA and HQLA		of which EHQLA and HQLA
		10	30	40	60
130	**Collaterals received by the reporting institution**	0		0	
140	Loans terminable at any time	0		0	
150	Equity instruments	0		0	
160	Debt instruments	0		0	
170	of which: covered bonds	0		0	
180	of which: asset-backed securities	0		0	
190	of which: issued by governments	0		0	
200	of which: issued by financial companies	0		0	
210	of which: issued by non-financial companies	0		0	
220	Loans and credits other than loans terminable at any time	0		0	
230	Other collaterals received	0		0	
231	of which:				
240	**Own bonds issued other than own covered bonds or asset-backed securities**	0		10	
241	**Own covered bonds and asset-backed securities issued but not yet pledged**			309,024	
250	**ASSETS, COLLATERALS RECEIVED AND OWN BONDS ISSUED**	5,361,147			

Table C – Encumbered assets/collaterals received and related liabilities		Coverage of liabilities, contingent liabilities or securities borrowed	Assets, collaterals received and own debt instruments issued other than encumbered mortgage bonds and ABSs
		10	30
10	**Carrying amount of selected liabilities**	3,557,851	5,316,519
11	of which:		

12.2 Qualitative information

The values in Tables A/B/C were calculated in accordance with the guidelines published by the EBA. The values calculated show the median of 4 reporting dates for asset encumbrance.

The encumbered assets shown under debt instruments in Table A are the repo transactions within the meaning of Delegated Regulation 2015/61 Article 8(4) in the amount of approximately euro 21 million, longer-term positions for collateralised borrowing, included in the portfolio during the 2020 period under review. Compared to the previous period, no short-term repo transactions with maturities of up to 2 months were concluded with securities eligible for central bank borrowing in the past financial year. Within the Association of Volksbanks, approximately 65 % of the reported values of the securities shown in Table A are encumbered to cover deposits subject to collateralisation.

As at the reporting date, no securities were encumbered by repo transactions or securities lending transactions subject to collateralisation and designations of underlying stock for covered bank bonds, except for the portfolio of long-term repo transactions in the amount of approximately euro 21 million. Compared to the previous period, the portfolio of long-term repo transactions remains unchanged.

Cash collaterals (including initial margin) for the hedging of fair values for foreign currency refinancing and interest rate derivatives (for the hedging of issues and long-term lending business), as well as, to a minor extent, promotional loans, account for approximately 10 % of the volume of encumbered assets in the item Other assets (Table A). Compared to the previous period, the volume changed by approximately + 1.6 %.

The requirements for hedging fair value fluctuations for foreign currency refinancing have decreased compared to the previous period due to the further reduction of foreign currency loans.

The Swiss franc (CHF) was classified as a significant currency within the meaning of Article 415 of the CRR; its refinancing is mainly represented by cross currency swaps and FX swaps.

VBW, as the central organisation of the association of credit institutions, is an issuer of covered bank bonds within the meaning of the act governing covered bank bonds (FBSchVG). The underlying stock for covered bank bonds of VBW entirely consists of mortgage-backed loans of the group of credit institutions, including of Volksbank Wien AG.

In the period under review, euro 250 million in face value were issued, and euro 121.9 million redeemed. The surplus cover of the underlying stock as well as the quality of the underlying stock were maintained during the period under review, and the surplus cover amounted to approx. 32 % with cover assets of approx. euro 3.45 billion as at the reporting date.

Of the covered bank bonds outstanding on the reporting date with a face value of euro 2.547 billion, euro 2.506 billion have an Aaa rating from Moody’s. The share of covered bank bonds placed was higher than 50 % of the total issue volume on the reporting date. The remaining portfolio was deposited with the central bank as liquidity covering potential.

In the case of the selected liabilities in Table C, apart from derivatives positions, around 0.6 % of the volume is attributable to deposits generated via repos and around 38 % to covered bank bonds placed on the market. A share of approx. 46.6 % of the liabilities relates to deposits subject to collateralisation, e.g. charge money, trustee deposits or liabilities to central banks. The volume of deposits subject to collateralisation changed by approx. +96 % compared to the previous year and resulted from the participation of the Association in a tranche of the TLTRO III programme.

Of the unencumbered assets shown in Chart A, credit balances with central banks, balances with clearing partners account for around 13 % of the volume. These assets are used to service the operations and payment transactions as well as to hold minimum reserves and secure liquidity. Physical assets are unsuitable to be encumbered during “business as usual”, not only because of the fluctuations in volume.

Of the assets shown in Table A under other unencumbered assets, approximately 67 % are mortgage backed loans, of which approximately 31 % qualify directly for the underlying stock based on internal criteria.

13 Debt

13.1 Quantitative information

LRSum, LRCom, LRSpl

Table LRSum: Summary of the reconciliation of on-balance sheet assets and the leverage ratio exposure		
Row		**in euro thousand**
1	Total assets in the published financial statements	*29,370,265*
2	Adjustments for subsidiaries consolidated for accounting purposes but not for regulatory purposes	*0*
3	Adjustments to assets from trust transactions that must be reported in the balance sheet according to the applicable accounting standard but not included in the leverage ratio pursuant to Article 429 (11) CRR	*-10,651*
4	Adjustments for derivative financial instruments	*70,005*
5	Adjustments for securities financing transactions	*0*
6	Adjustments for off-balance sheet assets (e.g. translation of credit equivalent amounts of the off-balance sheet exposure)	*1,509,370*
7	Other adjustments	*-525,273*
8	**Leverage ratio exposure**	***30,413,715***

Table LRCom: Leverage ratio general disclosure		
Row		**in euro thousand**
	Balance sheet assets (excluding derivatives and SFTs)	
1	Balance sheet assets (excluding derivatives and SFTs, but including collateral securities)	*28,870,079*
2	Assets deducted for the calculation of Common Equity Tier 1 (T1)	*-23,389*
3	Total balance sheet exposure (excluding derivatives and SFTs) (sum of rows 1 and 2)	*28,846,691*
	Derivatives exposure	*0*
4	Replacement costs in connection with derivative transactions	*47,697*
5	Additional amounts for the PFE in connection with derivative transactions	*53,222*
EU-5a	Exposure determined with the Original Exposure Method	*0*
6	Addition of the amount of collaterals provided in connection with derivatives deducted from balance sheet assets under the applicable accounting framework	
7	Deductions of receivables for margin calls paid in cash for derivative transactions	
8	Excluded CCP portion of customer-cleared trading exposures	
9	Adjusted effective nominal value of written credit derivatives	
10	Netting of adjusted effective nominal amounts and deduction of premiums for written credit derivatives	
11	**Total derivatives exposure**	*57,033*
	Securities financing business exposure	
12	Gross assets from SFTs (without recognition of netting), after adjustment for transactions accounted for as sales	
13	Netted amounts of cash liabilities and receivables from gross SFT assets	
14	Counterparty credit risk position for SFT assets	
15	Exposures from transactions carried out as agent	
16	**Total securities financing business exposure**	*622*
	Off-balance sheet exposure	*0*
17	Off-balance sheet exposure at total nominal amount	*4,118,569*
18	Adjustments for conversion to credit equivalent amounts	*-2,609,199*
19	**Total off-balance sheet exposure (sum of rows 17 and 18)**	*1,509,370*
	Capital and total exposure	
20	**Common Equity Tier 1 (T1)**	*2,222,349*
21	**Total exposure (sum of rows 3, 11, 16, 19 and 21a)**	***30,413,715***
	Leverage ratios	
22	**Leverage ratio**	***7.31 %***
Choice of transitional arrangements and amount of trust positions derecognised		
23	Choice of transitional arrangements for determining corporate actions	*transitional*
24	Amount of derecognised trust positions in accordance with Article 429(11) of Regulation (EU) No. 575/2013	*-10,651*

Table LRSpl: Breakdown of on-balance sheet exposures		
Row		**in euro thousand**
EU-1	Total balance sheet exposure (excluding derivatives and SFTs), of which:	*28,870,079*
EU-2	Trading book exposure	*1,697*
EU-3	Banking book exposure, of which:	*28,868,382*
EU-4	Covered bonds	*1,013,752*
EU-5	Exposures to national governments and exposures treated as exposures to national governments	*5,327,078*
EU-6	Exposures to regional governments, MDBs, international organizations and PSEs NOT treated as states	*104,959*
EU-7	Institutions	*99,357*
EU-8	Exposures secured by mortgages on immovable property	*13,963,110*
EU-9	Retail exposures	*3,311,835*
EU-10	Corporate	*3,050,540*
EU-11	Exposures in default	*263,288*
EU-12	Other exposures (e.g. equity, securities and other non-credit obligations)	*1,734,463*

13.2 Qualitative information

CRR Art. 451 d) and e)

Procedures for monitoring the risk of excessive indebtedness

The leverage ratio is a simple, transparent and non-risk-based ratio. The core capital (T1 capital) is compared with the (unweighted) on- and off-balance sheet asset items. The leverage ratio requirements are intended to limit the excessive build-up of debt in the banking system. The leverage ratio is currently introduced as a Pillar 2 ratio. Thus, it is taken into account in internal risk management and assessed as part of the supervisory review process.

The ratios contained in the Risk Appetite Statement (RAS) represent the most important guidelines for the operational implementation of the strategic objectives defined in the business strategy of the Association. The leverage ratio is part of the RAS set of ratios. Target, limit and trigger values have currently been set at the level of the Association.

In the EU, the leverage ratio will become a binding minimum requirement from June 2021 as a result of the CRR II provisions that will then take effect.

Current reporting

The leverage ratio is limited via the RAS at the level of the Association. The RAS is reported monthly to the CO Managing Board as part of the aggregate bank risk report. The leverage ratio is updated quarterly.

Procedures for responding to changes in the leverage ratio

A limit/trigger violation will be reported directly to the Managing Board of the CO within the framework of the Risk Committee. The Managing Board of the CO will define appropriate measures as required and monitor their implementation on an ongoing basis.

Introduction of measures

If the relevant figure falls below the limit, a plan will be worked out to return to the green zone. Measures to strengthen capital include, for example, an increase in share capital by third parties or the use of hidden reserves. Reductions in lending and the sale of assets, for example, may be used to optimise the balance sheet structure.

Factors that had an impact on the leverage ratio during the reporting period

As at 31 December 2020, the leverage ratio of the Association of Volksbanks has decreased by 0.15 percentage points to 7.31 % compared to 2019.

While T1 has increased (the change in T1 is mainly due to the adapted IFRS 9 transitional provision +100.1 million, limit adjustments of -7.6 million and releases of other reserves -7.4 million), this is offset by a significant increase in total exposure, which is due to participation in the OeNB's TLTRO tender and higher customer deposits (on the liabilities side).

14 Return on equity

CRD IV Art 90

The return on total capital employed for the 2020 financial year is 0.07 % (2019: 0.54 %) and is calculated as the ratio between result after taxes and total assets at the balance sheet date. The decrease is mainly due to the increase in risk provisions for potential risks in subsequent years in the wake of the COVID-19 pandemic.

15 List of abbreviations

Abs/para	paragraph
ABS	Asset Backed Security
afs	available for sale
AMA	Advanced Measurement Approach
ASA	Alternative Standardised Approach
A-SRI	other systemically important institutions
AT1	Additional Tier 1
BB	banking book
BIA	Basic Indicator Approach
BP	basis point(s), 0.01 per cent
BWG	Bankwesengesetz, Austrian Banking Act
bzw.	and/or, respectively
CBO	Collateralized Bond Obligation, securitized bundle of bonds
CCF	Credit Conversion Factor
CDO	Collateralized Debt Obligation, securitized bundle of mortgage receivables
CDS	Credit Default Swap, derivative swap instrument on a loan loss
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CLO	Collateralized Loan Obligation, securitized bundle of corporate loans
CMBS	Commercial Mortgage Backed Security, security backed by mortgages on commercial property
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CQS	Credit Quality Step
CRD IV	Capital Requirements Directive IV, Directive 2013/36/EU of the European Parliament and of the Council
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation, Regulation (EU) No 575/2013 of the European Parliament and of the Council
CSR	Corporate Social Responsibility
CVA	Credit Value Adjustment
i.e.	that is
Dr.	Doctor
EAD	Exposure at Default, outstanding exposure in the event of default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
incl.	including
EM	Own funds
EU	European Union
EUR	euro
EWB	individual loan loss provisions
ECA	European Currency Area
et seqq	and following (plural)
FH	financial holding
FMA	Austrian Financial Market Authority
FRA	Forward Rate Agreement, over-the-counter forward rate transaction
FX	foreign exchange, foreign currency
DOB	born

acc. to	according to
G-SRI	global systemically important institutions
P&L	income statement, profit & loss account
GI	General Instruction
HB	trading book
hft	held for trading
HR	Human Resources
htm	held to maturity
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
incl.	included/including
IRB	Internal Rating Based, based on internal ratings
IRS	Interest Rate Swap, derivative swap instrument on variable interest rates
iVm	in connection with
JRAD	Joint Risk Assessment Decision
KI	credit institution
SME	small and medium-sized enterprises
KP-V	Capital Buffer Regulation
KRL	Capital reserve(s)
LCR	Liquidity Coverage Ratio
lit	littera, letter
LFZ	maturity, term
LGD	Loss Given Default
l&r	loans and receivables
LK	countries and municipalities
Mag.	Magister
m	million(s)
MUM	Monetary Union Member, country of the euro area
NPL	non-performing loans
no.	number
ODP	open foreign exchange position
OEM	Original Exposure Method
OeNB	Austrian National Bank
UCI	undertakings for collective investment
OpR	operational risk
OTC	over the counter (derivatives)
p.a.	per annum, annually
PSE	Public Sector Entity
p&l	profit and loss
RAS	Risk Appetite Statement
RCF	Risk Control Function
RL	Directive
RMBS	Residential Mortgage Backed Security, security backed by mortgages on residential property
RRE	Residential Real Estate
RST	provision

RTFR	risk-bearing capacity calculation
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
STA	standardised approach
T1	Tier 1
T2	Tier 2
TC	Total Capital
kEUR	thousand euro
th	thousand
UGB	Unternehmensgesetzbuch, Austrian Business Code
VO	Regulation
FTE	full-time equivalent
Z	digit
e.g.	for example
CO	Central Organization