HALF-YEAR FINANCIAL REPORT
AS AT 30 JUNE 2021

KEY FIGURES OF VOLKSBANK WIEN AG

Euro million	30 Jun 2021	31 Dec 2020	31 Dec 2019
Statement of financial position			
Total assets	**16,669**	**14,281**	**12,704**
Loans and receivables customers	**5,299**	**5,372**	**5,471**
Amounts owed to customers	**6,424**	**6,637**	**6,439**
Debts evidenced by certificates	**1,923**	**1,464**	**1,453**
Subordinated liabilities	**403**	**407**	**418**
Own funds according to Basel III for the VOLKSBANK WIEN AG group			
Common equity tier 1 capital (CET1)	699	656	625
Additional tier 1 capital (AT1)	220	220	220
Tier 1 capital (T1)	**919**	**876**	**845**
Tier 2 capital (T2)	400	401	406
Own funds	**1,320**	**1,277**	**1,251**
Risk weighted exposure amount credit risk	3,202	3,288	3,538
Total risk exposure amount market risk	30	38	85
Total risk exposure amount operational risk	533	533	530
Total risk for credit valuation adjustment	11	50	44
Total risk exposure amount	**3,776**	**3,909**	**4,196**
Common equity tier 1 capital ratio	**18.5 %**	**16.8 %**	**14.9 %**
Tier 1 capital ratio	**24.3 %**	**22.4 %**	**20.1 %**
Equity ratio	**34.9 %**	**32.7 %**	**29.8 %**
Income statement	**1-6/2021**	**1-6/2020**	**1-6/2019**
Net interest income	69.7	61.4	60.4
Risk provision	2.2	-11.6	-4.3
Net fee and commission income	29.5	28.7	27.3
Net trading income	-2.9	1.5	-2.7
Result from financial instruments and investment properties	4.8	-7.7	14.7
Other operating result	62.4	60.8	58.0
General administrative expenses	-103.1	-100.8	-107.2
Result from companies measured at equity	0.7	0.5	-0.2
Result for the period before taxes	**63.4**	**32.7**	**45.9**
Income taxes	-10.3	-4.6	-1.5
Result for the period after taxes	**53.0**	**28.1**	**44.4**
Result attributable to non-controlling interest	0.0	0.0	0.0
Result of the group for the period	**53.0**	**28.1**	**44.4**
Key ratios	**1-6/2021**	**1-6/2020**	**1-6/2019**
Operating cost-income-ratio	**64.5 %**	**65.7 %**	**74.6 %**
ROE before taxes	**13.2 %**	**7.2 %**	**12.4 %**
ROE after taxes	**11.1 %**	**6.2 %**	**12.0 %**
ROE consolidated net income	**11.1 %**	**6.2 %**	**12.0 %**
Net interest margin	**0.8 %**	**0.9 %**	**1.0 %**
NPL ratio	**1.9 %**	**2.1 %**	**2.2 %**
Leverage ratio	**5.8 %**	**5.5 %**	**6.2 %**
Net stable funding ratio	**214.2 %**	**144.2 %**	**123.1 %**
Liquidity Coverage Ratio	**251.5 %**	**201.2 %**	**123.9 %**
Loan deposit ratio	**68.9 %**	**72.4 %**	**80.1 %**
Coverage ratio I	**39.9 %**	**33.2 %**	**29.4 %**
Coverage ratio III	**107.8 %**	**103.0 %**	**102.7 %**
Resources	**1-6/2021**	**1-6/2020**	**1-6/2019**
Staff average	**1,292**	**1,266**	**1,281**
Thereof domestic	1,292	1,266	1,281
	30 Jun 2021	**31 Dec 2020**	**31 Dec 2019**
Staff at end of period	**1,308**	**1,302**	**1,268**
Thereof domestic	1,308	1,302	1,268
Number of branches	**57**	**58**	**63**
Thereof domestic	57	58	63
Number of customers	**328,583**	**333,382**	**344,202**

Equity ratios are displayed in relation to total risk. The operating cost-income-ratio is the ratio between operating income and operating expenses. Operating income includes net interest income, net fee and commission income, net trading income and if positive other operating result and result from discontinued operation. Operating expenses include general administrative expenses and if negative other operating result and result from discontinued operation. Other operating result and result from discontinued operation is displayed net of other taxes, deconsolidation result and valuation result according to IFRS 5. The ROE before taxes indicates the result before taxes in relation to average equity including non-controlling interest. The ROE after taxes indicates the result after taxes in relation to average equity including non-controlling interest. The ROE consolidated net income indicates the consolidated net income in relation to average equity without non-controlling interest. The net interest margin shows the net interest income in relation to total assets. The NPL ratio indicates the portfolio of non-performing loans in relation to the total exposure of all loans to and receivables from customers. The leverage ratio indicates the business volume (CCF-weighted off-balance positions plus derivatives add-on, replacement value of derivatives, disallowance of derivative claims and financial volume) in relation to the tier 1 capital (CET1 + AT1). The net stable funding ratio indicates the available stable funding in relation to the necessary stable funding. The liquidity coverage ratio (LCR) describes the ratio of highly liquid assets to net outflows over the next 30 days assuming a stress scenario, and thus the ability to cover short-term liquidity outflows. The loan deposit ratio indicates the total amount of loan accounts, overdraft facilities less syndicated loans in relation to the total amount of savings deposits, demand deposits, fixed term deposits and debts evidenced by certificates. The coverage ratio I indicates the coverage ratio of non-performing loans by risk provisions. The coverage ratio III indicates the coverage ratio of non-performing loans by risk provisions and collaterals. Staff figures are calculated based on full-time equivalent.

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HALF-YEAR MANAGEMENT REPORT FOR THE FIRST HALF OF 2021

Report on the business development and economic situation

Business development

VOLKSBANK WIEN AG (VBW) looks back on a first half of 2021 that was marked by the coronavirus pandemic, but which was economically successful overall.

In the meantime, some trends are intensifying that will influence our actions in the future in a different way than before the pandemic. These include topics such as remote work, digitisation, sustainability, as well as regulatory and economic effects.

Digitisation has made a huge leap forward in internal collaboration and in retail banking; even previously "impossible" things have suddenly lent themselves to quick and flexible implementation.

In addition, sustainability has become very important in all areas of the economy in recent months. Sustainability is a significant asset for VBW due to its regional and cooperative origins. VBW has committed itself to the Paris Agreement on climate protection and has set up a comprehensive project on the topic of "sustainability". The aim is to manage ESG risks appropriately and to enhance the positive impact of its business activities on the environment and on people.

VBW participated in the June 2021 tranche of the TLTRO III programme with euro 2 billion on behalf of the Association of Volksbanks. As a result, a total of euro 3.5 billion was raised through the TLTRO III programme. The funds raised serve to refinance lending business and, on the other hand, enable an improvement in the liquidity structure within the Association.

On 23 March 2021, VBW issued a senior non-preferred bond with a volume of euro 500 million and a term of 5 years with a fixed interest rate of 0.875 %.

Economic environment

At the beginning of 2021, strict restrictive measures were in force in Austria, which, among other things, led to an almost complete shutdown of the winter season in tourism. However, according to the GDP weekly indicator of the Oesterreichische Nationalbank (OeNB), industry, especially export-oriented industry, had already returned to pre-crisis levels by the end of 2020 and benefited from a favourable external environment as well as domestic demand, which was also supported by the investment premium. However, leading and sentiment indicators showed an increasing burden of problems in global supply chains, resulting in material shortages and higher prices. Economic activity in close contact sectors resumed for the most part only in the course of the wide-ranging opening steps in the course of May due to declining infection figures and progress in vaccinations, with hygiene concepts and a restriction of access to tested, vaccinated or recovered persons ('3G' rule) still being applied in many places.

After economic output fell by 1.1 % Q/Q and 4.5 % Y/Y in the first quarter, the opening steps in the second quarter enabled a significant recovery. According to a flash estimate of the Austrian Institute of Economic Research (WIFO), the GDP grew by 4.3 % Q/Q or 11.4 % Y/Y. Growth was particularly strong in those sectors that had previously been hit hardest by the restrictive measures and now benefited from the recovery in consumer demand. For example, the trade, transport, accommodation and gastronomy sectors expanded by 20.5 % Q/Q, following a decline in economic activity (-9.5 %) in the first quarter. The other services industries, including arts, culture as well as recreation and close contact services, which also showed negative growth in the first quarter (-6.3 % Q/Q), also expanded by 7.1 %. Industry (incl. mining and utilities, excl. construction), which already posted positive quarterly rates in the second half of 2020 and also grew by an impressive 2.7 % in the first quarter of the year, largely maintained its growth momentum in the second quarter at 2.3 %. The construction sector showed dynamic growth of 4.8 % in the first quarter but stagnated in the second quarter (-0.6 %). On the expenditure side, this contributes to the dynamism of gross capital investments, which, after positive growth in the second half of 2020, already increased by 3.3 % in the first quarter and grew by a further 2.1 % in the second quarter of the year. The GDP in the euro zone grew 2.0 % Q/Q, up 13.7 % from the second quarter of 2020, according to a preliminary flash estimate from Eurostat. In the first three months of this year, the quarterly rate was still just negative at -0.3 %.

Austrian residential real estate prices showed dynamic development throughout the crisis. For the whole sector, the OeNB reports higher prices by 12.3 % Y/Y in the first quarter of 2021. Annual rates were in double digits in all segments, with stronger inflation than in Vienna in the regions outside Vienna, where the prices of new freehold flats rose by 16.7 % and those of used freehold flats and single-family houses by 12.9 %, respectively. In Vienna itself, price increases in the individual sectors ranged between 10 % and 11.4 %; for the entire residential real estate sector in the capital, the OeNB estimates price increases of 10.9 % in the first quarter. Data for the second quarter were not yet available as at the editorial deadline for this section on 30 July 2021.

The withdrawal of restrictive measures in the course of the first half of the year also led to falling unemployment figures. While the unemployment rate was still 7.3 % in January 2021 according to the Eurostat definition, it fell to 6.4 % by June. While it is well above the multi-year low of 4.4 % in November 2019, according to a WIFO analysis, the number of dependent employees has already surpassed the pre-crisis level of May 2019 in May 2021. Employment growth was very heterogeneous across sectors. The number of workers in health care and social welfare services, which were particularly active during the pandemic, was significantly above the May 2019 level; the same applies to information and communication technology, as well as freelance, scientific, and technical services. Employment figures in construction, trade and other economic services also matched the pre-COVID-19-pandemic levels. The sectors that were particularly affected by the restrictive measures, such as accommodation and gastronomy, arts, entertainment and recreation, and transport, in particular air and water transport, are clearly far removed from this. By province (Austrian 'Länder'), employment was 0.3 % lower in tourism-intensive Tyrol than in May 2019 and higher in the other provinces, most significantly in Burgenland and Lower Austria at 1.9 % and 1.3 %, respectively. Even towards the end of the first half of the year, in the month of June, the number of unemployed persons and training participants was still higher than in 2019. In addition, there are almost 300,000 employees who are still on short-time work. According to the ministry, this figure will rise once the lost hours have been accounted for.

Inflation in the euro zone accelerated in the course of the first half of the year from 0.9 % in January and February to 2.0 % in May; in June it eased slightly to 1.9 %. According to Eurostat, the base effect in the sphere of energy prices was mainly responsible for the rates of increase of Harmonised Consumer Prices, contributing more than one percentage point to the inflation rate in May and June, while in January and February they still made a negative contribution to the inflation calculation. In Austria, Harmonised Consumer Prices rose even more strongly than in the whole euro zone, with inflation rising from 1.1 % in January to 3.0 % in May and then falling back somewhat to 2.8 % in June.

The European Central Bank (ECB) maintained its expansionary monetary policy stance in the first half of 2021, with key interest rates remaining stable (main refinancing rate 0.0 %, prime refinancing facility 0.25 %, deposit rate -0.5 %) and monthly bond purchases of euro 20 billion from the asset purchase programme also being maintained. The ECB continued with the Pandemic Emergency Purchase Programme, which was expanded in December 2020 to euro 1.85 trillion and a maturity of at least March 2022, and accelerated purchases in the second quarter. The central bank emphasises the flexibility of the programme, including its scope – it can be expanded or not fully utilised. Banks were also able to obtain liquidity in the first half of 2021 under the targeted long-term refinancing operations (TLTRO III).

The three-month Euribor moved within a range of a few basis points in the first half of the year. It reached its lowest level right at the beginning of the year on 6 January at -0.556 % and its highest on 7 May at -0.529 %, which was followed by a rapid, short countermovement below -0.55 %. The yield of Austrian government bonds in the ten-year maturity range developed similarly. Again, the yield on the first trading days of the year was lowest at -0.464 % on 4 January and highest at 0.154 % on 18 May. German government bonds fluctuated between -0.606 % and -0.104 %.

EU member states agreed on a euro 1.8 trillion (at 2018 prices) recovery plan in 2020, of which euro 1.074 trillion is attributable to the multi-annual financial framework and euro 750 billion is financed by the reconstruction fund, for which the Commission issues bonds. At the beginning of June, the first Funding Plan was presented; it envisages the issuance of euro 80 billion of long-term bonds by year end, as well as short-dated papers in the range of tens of billions of euros. Around 30 % of the bonds are to be issued as green bonds. The first bond to finance the NextGenerationEU programme in June was issued in syndication, and later auctions will also be held, which will be used exclusively for short-dated papers.

Group result for the first half of 2021

Net interest income in the amount of euro 69.7 million for the first half of 2021 has increased against the comparative period by euro 8.3 million (1-6/2020: euro 61.4 million). The increase in interest income from fixed-income securities by euro 12.1 million mainly relates to the disposal of the fair value measurement of Italian bonds that were transferred from the predecessor central organisation to VBW in the course of a restructuring in 2015. In addition, the higher liquid funds resulted in higher net interest income of euro +5.7 million (1-6/2020: euro -0.7 million), which was mainly due to the participation in the TLTRO programme. This was offset by lower interest income (euro 10.9 million) from customer exposure.

Due to the low default intensity of loans in the first half of 2021, income of euro 2.2 million now results for the risk provision, after an expense of euro -11.6 million as at 30 June 2020. On the development of the risk provision, please also see the information contained in the Notes.

The net fee and commission income in the reporting period amounts to euro 29.5 million, an increase by euro 0.8 million compared to the previous period (1-6/2020: euro 28.7 million). The increase essentially results from higher fee and commission income from securities business. This contrasts with lower income from payment transactions due to the pandemic.

Net trading income amounts to euro -2.9 million in the first half of 2021 and decreased by euro 4.4 million compared to the previous period (euro 1.5 million). The decrease is mainly due to interest rate related transactions.

The net result from financial instruments and investment properties rose from euro -7.7 million by euro 12.5 million to euro +4.8 million compared to the previous period. The main reasons for this were the higher reversal of the impairment of securitised debts measured at fair value through profit or loss by euro 4.2 million, the euro 3.6 million decrease in impairments on the loans and receivables to customers measured at fair value, as well as higher derivative valuations by euro 11.2 million. In contrast, a loss from carrying amounts at disposal resulting from the sale of the Italian bond portfolio in the amount of euro 7.6 million was reported in the first half of 2021.

At euro 103.1 million, general administrative expenses increased slightly against the previous year (1-6/2020: euro 100.8 million). At euro 61.2 million, personnel costs are higher than the previous year (1-6/2020: euro 59.1 million) by euro 2.1 million. The reason for this is the ongoing transfer of personnel from individual Volksbanks within the Association of Volksbanks to VB Services in order to bundle services efficiently. In the area of administrative expenses, the contribution to the deposit guarantee increased by euro 0.5 million.

Financial position

As at 30 June 2021, total assets amount to euro 16.7 billion, an increase compared to the end of 2020 (euro 14.3 billion), essentially due to the increase in liquid funds. The main reason for this is the participation in the TLTRO III programme with euro 2 billion, on the one hand, and the higher liquidity portfolio from the issue of a senior non-preferred bond with a volume of euro 500 million in the first half of the year, on the other hand.

Compared to the end of the previous period (euro 2.3 billion), loans and receivables to credit institutions have decreased to euro 1.9 billion.

As at 30 June 2021, loans and receivables to customers, less risk provisions, amount to euro 5.3 billion and have decreased slightly compared to the end of the previous year (euro 5.4 billion).

Financial investments of euro 2.1 billion decreased compared to the end of 2020 (euro 2.3 billion) mainly due to the sale of the Italian bond portfolio in the amount of euro 96.0 million.

Amounts owed to credit institutions have increased by euro 2.2 billion to euro 6.4 billion compared to the end of 2020 (euro 4.2 billion), essentially due to participation in the TLTRO III programme of the European Central Bank.

Amounts owed to customers of euro 6.4 billion decreased compared to the end of 2020 (euro 6.6 billion) mainly due to lower other deposits.

Debts evidenced by certificates amount to euro 1.9 billion as at 30 June 2021 and have increased by euro 0.4 billion compared to 31 December 2020 (euro 1.5 billion). The main reason for this was the issue of a senior non-preferred bond with a volume of euro 500 million.

Equity amounts to euro 1.0 billion as at 30 June 2021 and has increased compared to the end of 2020 (euro 0.9 billion) due to the positive half-year result.

Financial performance indicators

The regulatory own funds of the VBW group of credit institutions amount to euro 1.3 billion as at 30 June 2021 (31 December 2020: euro 1.3 billion). The total risk exposure amount as at 30 June 2021 was euro 3.8 billion (31 December 2020: euro 3.9 billion). The CET1 capital ratio in relation to total risk is 18.5 % (31 December 2020: 16.8 %), the own funds ratio in relation to total risk is 34.9 % (31 December 2020: 32.7 %). Regulatory own funds, total risk exposure amount and the key indicators calculated therefrom were determined in accordance with the CRR (EU Regulation No. 575/2013). For further details, please refer to the information in the Notes.

Performance indicators	1-6/2021	1-6/2020	1-6/2019
Return on Equity before taxes	13.2 %	7.2 %	12.4 %
Return on Equity after taxes	11.1 %	6.2 %	12.0 %
Cost-income ratio	64.5 %	65.7 %	74.6 %

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

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

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

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

Related party transactions

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

Report on the company's future development and risks

Future development of the company

Economic environment

In its June forecast, the Austrian Institute of Economic Research (WIFO) predicts a strong recovery of the domestic economy; after a slump of -6.3 %, the GDP is expected to grow by 4.0 % this year and by 5.0 % in 2022. According to the WIFO, the upturn is being driven by all components of demand, with particularly strong momentum seen in the industrial economy this year, which is benefiting from the investment premium and is also being supported by the rapid recovery of export markets. The IHS Markit/UniCredit Bank Austria Purchasing Managers' Index, which reached a new record level in June for the third time in succession, also points to a marked expansion in the industrial sector. However, companies in the survey also reported noticeable problems in supply chains, leading to delays and price increases. In its forecast, the WIFO assumes that supply problems will no longer be a burden on the industrial and construction sectors from the fourth quarter onwards. In 2022, the industrial economy is expected to continue to grow, but at a slower pace than this year. Next year's upswing will then be driven primarily by tourism and the related industries. The unemployment rate is still expected to be above pre-crisis levels at the end of the forecast horizon in the fourth quarter of 2022. The WIFO sees inflation (HICP) at 2.3 % this year and at 2.1 % next year.

According to the ECB's macroeconomic projections published in June and the OeNB's forecast for Austria, Austrian GDP will grow by 3.9 % this year and 4.2 % next year. Growth is then expected to level off in 2023, with the OeNB forecasting a growth rate of 1.9 %. Economic output in the euro zone is expected to grow somewhat faster, by 4.6 % and 4.7 % this year and the following year, with growth normalising towards 2.1 % in 2023.

The inflation rate in the euro zone is seen at 1.9 % this year in the ECB's projections, but will fall to 1.5 % and 1.4 % in subsequent years. The decline in inflation does not suggest that key interest rates are likely to rise over the forecast horizon. The factors causing inflation to rise this year, such as base effects in the sphere of energy prices or the return of value added tax in Germany to its previous level, are considered to be temporary. In addition, the review of the monetary policy strategy, the results of which were presented at the beginning of the third quarter, included an increase in the ECB's inflation target from "close to, but below 2 %" to 2 %.

The list of uncertainties is long, and the public remains focused on the pandemic. Most economic forecasts assume that restrictive measures will be eased continuously and that there will be no setbacks. The spread of new variants of the Sars-CoV-2 virus, which may be more contagious or may circumvent vaccine protection, poses a clear downside risk. Due to the integration into global supply chains, negative effects on the Austrian economy can also be expected if restrictive measures are introduced in import or export markets. Trade policy remains a clear focus on the geopolitical level; the new US administration of President Joe Biden has not yet settled the trade conflict with China, and little improvement can be seen in relations with Russia. A serious increase in poverty is expected worldwide, exacerbated by the pandemic as much as by climate change, and already leading to social unrest in less developed economies, partly because of high food prices. In Europe, the UK's completed exit has removed a factor of uncertainty, but some important issues were left out of the treaty or are regularly renegotiated. In addition, the high level of borrowing during the pandemic brings its own risks.

Business development

The regionally operating Volksbanks look after their customers locally and are the voice of their interests within the Association of Volksbanks. In order to be able to respond even better to the needs of Austrians, the Volksbanks, as their relationship bank, are consistently implementing the "relationship bank of the future" service concept within the Association. The focus is on the customers in the regions. The aim is to become the most successful decentralised association of credit institutions in Austria.

The Volksbanks have decided to implement the "Adler" programme in order to position the Association as the "relationship bank of the future". The comprehensive measures from "Adler" have been consistently implemented, reported and controlled within the Association of Volksbanks since 2019. The project is expected to be fully completed by the end of 2022.

The consistent orientation as the relationship bank of the future is based on two pillars. On a high level of processing quality for regional customer service and on the central pillar of "control and service" with the bundling of central functions of the Association of Volksbanks within VBW.

Thanks to the consistent development of our "hausbanking" (relationship banking), the Volksbanks have their finger on the pulse of the times, and customers have given us excellent marks for this in the latest customer satisfaction surveys.

Furthermore, the Volksbanks are working together more efficiently according to uniform rules and in uniform structures. The cooperative division of labour has been implemented for the most part. Since mid-2020, the Volksbanks have had uniform organisational charts, and three quarters of the new job descriptions and service catalogues have been implemented. The implementation plans in the areas of Accounting and Balancing, Reporting, Controlling, Risk Control, Legal, Auditing and Compliance are now in live operation throughout the Association. The final steps have already been taken for Facility Management tasks and the outsourcing of ORG/IT.

The introduction of MSC Passiv, MSC Aktiv and loan processing in the banks of the Association, as well as the ongoing support by and cooperation with VBW as central organisation are paying off. The new leaner and more efficient cooperation is reflected favourably in the cost structure.

Apart from customers, the focus for 2021 will continue to be on cooperation across the Association, on improving processes and driving forward digitisation.

All in all, these structural and cultural changes will help to establish Volksbank as a modern association of credit institutions in Austria.

The focus of VBW, as a retail bank, on retail banking is meant to be continued in these challenging times, supported in particular by increasing digitisation of the sales process, which constitutes one of the major opportunities of the COVID-19 crisis. Not least because of the change in customer behaviour and its impact on sales, this is a key focus of VBW. This provides an opportunity to offer faster services to our customers, thus strengthening the customer relationship. It is gratifying to note that VBW now has a very competitive product on the market in the form of the "hausbanking" app.

By forming risk provisions in 2020, VBW has provided for a potential deterioration in credit quality due to the pandemic. Some of these risk provisions were reversed, as the expected deterioration in credit quality did not materialise to the extent anticipated. In addition to various one-off effects, the reversal of risk provisions is a key driver of the clearly positive result in the first half of 2021. According to current estimates, this result should consolidate further towards the end of the year.

Please also refer to section 11) Subsequent events in the Notes.

Significant risks and uncertainties

As regards the legally required disclosures on the use of financial instruments, the risk management targets and methods as well as the risk of price changes, default, liquidity and cash flow risks, please refer to the information contained in the Notes to the 2020 annual financial report.

CONSOLIDATED FINANCIAL STATEMENTS

VOLKSBANK WIEN AG
HALF-YEAR FINANCIAL REPORT

Condensed statement of comprehensive income

INCOME STATEMENT	1-6/2021 Euro thousand	1-6/2020 Euro thousand	Changes Euro thousand	%
Interest and similar income	108,003	95,117	12,886	13.55 %
thereof using the effective interest method	93,111	89,031	4,080	4.58 %
Interest and similar expenses	-38,301	-33,673	-4,628	13.74 %
Net interest income	69,702	61,443	8,259	13.44 %
Risk provision	2,184	-11,623	13,807	-118.79 %
Fee and commission income	41,760	41,629	130	0.31 %
Fee and commission expenses	-12,240	-12,976	736	-5.67 %
Net fee and commission income	29,520	28,653	867	3.02 %
Net trading income	-2,899	1,453	-4,351	< -200.00 %
Result from financial instruments and investment properties	4,824	-7,734	12,558	-162.38 %
Other operating result	62,425	60,783	1,642	2.70 %
General administrative expenses	-103,068	-100,754	-2,314	2.30 %
Result from companies measured at equity	680	458	221	48.28 %
Result for the period before taxes	**63,368**	**32,680**	**30,688**	**93.91 %**
Income taxes	-10,322	-4,592	-5,730	124.79 %
Result for the period after taxes	**53,046**	**28,088**	**24,958**	**88.86 %**
Result attributable to shareholders of the parent company (Consolidated net result)	**53,048**	**28,082**	**24,966**	**88.90 %**
thereof from continued operation	53,048	28,082	24,966	88.90 %
Result attributable to non-controlling interest	-2	6	-8	-136.53 %
thereof from continued operation	-2	6	-8	-136.53 %

Other comprehensive income

	1-6/2021 Euro thousand	1-6/2020 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**53,046**	**28,088**	**24,958**	**88.86 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Fair value reserve - equity instruments (including deferred taxes)	-78	-1,321	1,243	-94.10 %
Revaluation of own credit risk (including deferred taxes)	-209	-13	-196	> 200.00 %
Total items that will not be reclassified to profit or loss	**-287**	**-1,334**	**1,048**	**-78.51 %**
Items that may be reclassified to profit or loss				
Fair value reserve - debt instruments (including deferred taxes)				
Change in fair value	-158	107	-265	< -200.00 %
Net amount transferred to profit or loss	-8	-9	1	-11.56 %
Change from companies measured at equity	-426	-650	224	-34.53 %
Total items that may be reclassified to profit or loss	**-591**	**-552**	**-39**	**7.07 %**
Other comprehensive income total	**-878**	**-1,887**	**1,009**	**-53.45 %**
Comprehensive income	**52,168**	**26,201**	**25,967**	**99.11 %**
Comprehensive income attributable to shareholders of the parent company	**52,178**	**26,195**	**25,982**	**99.19 %**
thereof from continued operation	52,178	26,195	25,982	99.19 %
Comprehensive income attributable to non-controlling interest	-10	6	-15	< -200.00 %
thereof from continued operation	-10	6	-15	< -200.00 %

Condensed statement of financial position as at 30 June 2021

	30 Jun 2021 Euro thousand	31 Dec 2020 Euro thousand	Changes Euro thousand	%
ASSETS				
Liquid funds	6,837,328	3,798,482	3,038,846	80.00 %
Loans and receivables credit institutions	1,926,164	2,286,014	-359,850	-15.74 %
Loans and receivables customers	5,299,277	5,372,333	-73,056	-1.36 %
Assets held for trading	44,936	59,775	-14,840	-24.83 %
Financial investments	2,130,924	2,283,330	-152,406	-6.67 %
Investment property	28,587	30,186	-1,599	-5.30 %
Companies measured at equity	38,945	38,691	254	0.66 %
Participations	55,275	49,160	6,115	12.44 %
Intangible assets	19,710	20,671	-961	-4.65 %
Tangible assets	136,560	139,519	-2,958	-2.12 %
Tax assets	36,308	43,538	-7,230	-16.61 %
Current taxes	6,095	3,868	2,227	57.57 %
Deferred taxes	30,212	39,669	-9,457	-23.84 %
Other assets	113,126	158,436	-45,310	-28.60 %
Assets held for sale	1,534	942	592	62.86 %
TOTAL ASSETS	**16,668,672**	**14,281,075**	**2,387,597**	**16.72 %**
LIABILITIES				
Amounts owed to credit institutions	6,356,509	4,165,780	2,190,729	52.59 %
Amounts owed to customers	6,424,245	6,636,565	-212,320	-3.20 %
Debts evidenced by certificates	1,922,757	1,463,851	458,906	31.35 %
Lease liabillities	84,688	85,826	-1,138	-1.33 %
Liabilities held for trading	46,890	62,596	-15,707	-25.09 %
Provisions	70,037	69,318	719	1.04 %
Tax liabilities	2,005	2,035	-29	-1.43 %
Current taxes	1,331	1,331	0	0.00 %
Deferred taxes	674	703	-29	-4.15 %
Other liabilities	353,573	480,235	-126,662	-26.38 %
Subordinated liabilities	402,988	406,879	-3,891	-0.96 %
Equity	1,004,980	907,990	96,990	10.68 %
Shareholders' equity	1,001,231	904,161	97,070	10.74 %
Non-controlling interest	3,749	3,830	-81	-2.11 %
TOTAL LIABILITIES	**16,668,672**	**14,281,075**	**2,387,597**	**16.72 %**

Condensed changes in the Group's equity

Euro thousand	Subscribed capital	Additional tier 1 capital	Capital reserves	Retained earnings and other reserves	Shareholders' equity	Non-controlling interest	Equity
As at 1 January 2020	**137,547**	**217,722**	**227,836**	**307,126**	**890,230**	**3,867**	**894,098**
Consolidated net income				28,082	28,082	6	28,088
Other comprehensive income	0	0	0	-1,887	-1,887	0	-1,887
Comprehensive income	0	0	0	26,195	26,195	6	26,201
Dividends paid				-8,525	-8,525	-13	-8,538
Payment Shareholder			414	0	414		414
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation				15	15	-19	-4
As at 30 June 2020	**137,547**	**217,722**	**228,249**	**324,812**	**908,330**	**3,841**	**912,170**
As at 1 January 2021	**137,547**	**217,722**	**227,836**	**321,056**	**904,161**	**3,830**	**907,990**
Consolidated net income				53,048	53,048	-2	53,046
Other comprehensive income	0	0	0	-871	-871	-7	-878
Comprehensive income	0	0	0	52,178	52,178	-10	52,168
Dividends paid				-8,525	-8,525	-17	-8,542
Payment Shareholder			53,409	0	53,409		53,409
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation				8	8	-54	-46
As at 30 June 2021	**137,547**	**217,722**	**281,245**	**364,717**	**1,001,231**	**3,749**	**1,004,980**

Condensed cash flow statement

Euro thousand	1-6/2021	1-6/2020
Cash and cash equivalents at the end of previous period (= liquid funds)	3,793,581	1,908,612
Cash flow from operating activities	2,896,506	1,472,575
Cash flow from investing activities	103,751	-107,588
Cash flow from financing activities	38,589	-9,581
Cash and cash equivalents at the end of period	6,832,427	3,264,019

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

Notes as at 30 June 2021

1) General information and accounting principles

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

The interim financial statements of VBW as at 30 June 2021 were prepared on the basis of all IFRS/IAS standards published by the International Accounting Standards Board (IASB) applicable as at the reporting date, and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), in so far as these have also been adopted by the European Union in the endorsement process and their application is mandatory.

The interim financial statements do not contain all information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2020. The accounting policies estimates and assumptions on which these financial statements are based are the same as those used in the preparation of the consolidated financial statements as at 31 December 2020 with the exceptions stated below.

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

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

Accounting standards

Initially applied standards and interpretations

Standard	Mandatory application	Significant effects on VBW
Amendments to standards and interpretations		
Amendments to References to the Conceptual Framework	01 Jan 2020	No
Amendments to IAS 1 and IAS 8: Definition of Material	01 Jan 2020	No
Amendments to IFRS 3 Business Combinations	01 Jan 2020	No
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	01 Jan 2020	No
Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions	01 Jun 2020	No

Standards and interpretations to be applied in the future

Standard	Mandatory application	Significant effects on VBW
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interes Rate Benchmark Reform - Phase 2	01 Jan 2021	No
Amendments to IAS 37 - Provisions, Contingent Liabilities Contingent Asset	01 Jan 2022	No
Annual Improvements 2018 - 2020	01 Jan 2022	No
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	01 Jan 2022	No
Amendments to IFRS 3 - Reference to Conceptual Framework	01 Jan 2022	No
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 Jan 2023	No
IFRS 17 - Insurance Contracts	01 Jan 2023	No
Amendments to IAS 1 Disclosure of Accounting Policies	01 Jan 2023	No
Amendments to IAS 8 Definition of Accounting Estimates	01 Jan 2023	No
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 Jan 2023	No
Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture	open	No

Accounting and valuation methods regarding COVID-19

In the first half of 2021, a below-average default intensity was observed for loans within the Association of Volksbanks. The reduction of the NPL portfolio (Stage 3) was continued. The risk assessments of VBW for customers in the performing segment (Stage 1 and 2) remain cautious, as uncertainties associated with the gradual decline in government support measures (subsidies, tax deferrals, etc.) have not yet been fully eliminated at the reporting date of 30 June 2021.

Impairment Stages 1 and 2 before post-model adjustments

In the performing segment, allocations to risk provisions and provisions in the amount of euro 2.6 million were made in the first half of 2021. This is primarily due to the Stage 2 transfers and rating downgrades that were recorded in the system during the finalisation of the COVID-19-risk reviews and rating updates in the first half of 2021. This development is in line with VBW's expectations and has already been taken into account as part of the post-model adjustments (PMAs) as at 31 December 2020, which essentially only results in a shift.

Post-model adjustments Stages 1 and 2

After peaking at euro 12.9 million as at 31 December 2020, the post-model adjustments were reduced by euro 3.6 million in the first half of 2021. The main reason for this was that these provisions could be reclassified into the bank's standard risk model due to the improved situation regarding information.

This reduction affects provisions formed for:

- Imminent but not yet recognised defaults
- Non-updated ratings
- Unrecognised stage transfers

Immediately imminent, but not yet recognised defaults

The PMAs for not yet recognised defaults were reduced by euro 1.5 million to euro 8.3 million as at 30 June 2021. In addition to the customers that have since defaulted and the customers that are no longer in the portfolio, the PMAs for uncertainties in connection with the new default definition under CRR (in use since 1 January 2021) were also released at this point.

Non-updated ratings

The PMAs for customers who do not yet have updated ratings taking into account the economic crisis were reduced by euro 1.1 million to euro 0.4 million in the first half of 2021. This was due to the fact that around 80 % of the customers affected had their ratings updated in the first half of 2021. The PMAs that remain open primarily concern smaller business customers with cash basis accounting.

Unrecognised stage transfers

The PMAs for not yet recognised Stage 2 transfers were reduced by euro 1.0 million to euro 0.6 million in the first half of 2021. This release primarily concerned customers who had already undergone a Stage 2 transfer or a rating update. The PMAs that remain open predominantly relate to private customers rated with a conduct rating.

Impairments Stage 3

The below-average default intensity of 2020 continued in the first half of 2021. At the same time, exposures already in default were successfully restructured or realised, resulting in no net loss from the NPL area. In addition, extraordinary income from receivables already written off in the amount of euro 1.2 million was taken into account.

Please refer to Note 51) Risk Report b) Credit Risk of the Annual Financial Report as at 31 December 2020 for the accounting policies related to COVID-19 (impairments and post-model adjustments).

2) Presentation and changes in the scope of consolidation

During the first half of the 2021 business year there were no changes in the scope of consolidation within the VBW Group.

Participation right of the federal government's participation right

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

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

According to its contractual obligations towards the federal government, VBW must submit to the Volksbanks a proposal for the total amount to be distributed with respect to the federal government's participation right by RZG in the subsequent calendar year and for the total amount of the primary banks' contributions required for this purpose (indirect contributions of the Volksbanks and direct contribution of VBW to RZG) by 30 November of each year. VBW is charged according to the share of its retail segment in the Association of Volksbanks (total assets UGB/BWG). Of the total repayment amount of euro 300 million that was promised to the federal government, euro 76 million have been repaid as at 30 June 2021. The threshold of euro 75 million as at 31 December 2019 was reached ahead of schedule. The next threshold as at 31 December 2021 amounts to euro 200 million. The decision on the amount of payment to be made on the federal government's participation right by 31 December 2021, will be made during the second half of 2021 business year.

3) Notes to the income statement

Net interest income

Euro thousand	1-6/2021	1-6/2020
Interest and similar income from	108,003	95,117
Deposits from credit institutions (incl. central banks)	11,542	0
Credit and money market transactions with credit institutions	6,410	3,886
Credit and money market transactions with customers	56,969	67,838
Fixed-income securities	30,511	18,430
Derivative instruments	2,572	4,961
Interest and similar expenses for	-38,301	-33,673
Liquid funds	-6,519	-650
Deposits from credit institutions	-2,432	-2,379
Deposits from customers	-1,648	-1,770
Debts evidenced by certificates	-9,067	-8,204
Subordinated liabilities	-5,564	-5,697
Derivative instruments	-10,375	-13,462
Lease liabilities	-605	-915
Valuation result - modification	-2,095	-609
Valuation result - derecognition	4	13
Net interest income	**69,702**	**61,443**

Net interest income according to IFRS 9 categories

Euro thousand	1-6/2021	1-6/2020
Interest and similar income from	108,003	95,117
Financial assets measured at amortised cost	104,080	87,810
Financial assets measured at fair value through OCI	574	1,221
Financial assets measured at fair value through profit or loss - obligatory	778	1,124
Derivative instruments	2,572	4,961
Interest and similar expenses for	-38,301	-33,673
Financial liabilities measured at amortised cost	-24,716	-18,077
Financial liabilities measured at fair value through profit or loss - designated	-1,119	-1,538
Derivative instruments	-10,375	-13,462
Valuation result - modification	-2,095	-609
Valuation result - derecognition	4	13
Net interest income	**69,702**	**61,443**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 16,954 thousand (1-6/2020: euro 2,626 thousand) and interest expenses of euro 8,387 thousand (1-6/2020: euro 1,866 thousand) were realised in the first half of 2021 business year. Negative interest income is reported in interest expenses and negative interest expenses are reported in interest income, so that all results are shown gross.

Interest and similar income from financial assets measured at amortised cost and measured at fair value through OCI in the amount of euro 93,111 thousand (1-6/2020: euro 89,031 thousand) is calculated using the effective interest rate method.

Risk provision

Euro thousand	1-6/2021	1-6/2020
Changes in risk provision	1,169	-13,168
Changes in provision for risks	-62	8
Direct write-offs of loans and receivables	-184	-362
Income from loans and receivables previously written off	1,188	1,918
Valuation result modification / derecognition	73	-18
Risk provision	**2,184**	**-11,623**

Net fee and commission income

Euro thousand	1-6/2021	1-6/2020
Fee and commission income	41,760	41,629
Lending business	3,588	3,962
Securities and custody business	16,661	15,502
Payment transactions	15,447	16,529
Foreign exchange, foreign notes and coins and precious metals transactions	83	69
Financial guarantees	708	738
Other services	5,272	4,829
Fee and commission expenses	-12,240	-12,976
Lending business	-6,962	-6,866
Securities and custody business	-3,230	-3,869
Payment transactions	-2,043	-2,134
Financial guarantees	0	-97
Other services	-4	-10
Net fee and commission income	**29,520**	**28,653**

Net fee and commission income includes management fees for trust agreements in the amount of euro 41 thousand (1-6/2020: euro 49 thousand).

Net trading income

Euro thousand	1-6/2021	1-6/2020
Equity related transactions	-10	-7
Exchange rate related transactions	1,072	1,045
Interest rate related transactions	-3,961	414
Net trading income	**-2,899**	**1,453**

Result from financial instruments and investment properties

Euro thousand	1-6/2021	1-6/2020
Other results from financial instruments	**3,635**	**-8,965**
Result from financial investments and other financial assets and liabilities measured at fair value through profit or loss	10,446	-10,067
Valuation measured at fair value through profit or loss - obligatory	5,941	-7,792
Loans and receivables credit institutions and customers	724	-3,476
Securities	653	199
Result from other derivative instruments	7,987	-3,242
Result from fair value hedge	-3,423	-1,272
Valuation measured at fair value through profit or loss - designated	4,182	-2,284
Debts evidenced by certificates	4,182	-2,284
Income from equities and other variable-yield securities	323	8
Result of financial investments and other financial assets and liabilities measured at amortised cost	-7,862	-8
Realised gains from disposal	62	70
Realised losses from disposal	-7,924	-78
Result from financial investments and other financial assets and liabilities measured at fair value through OCI	1,051	1,110
Realised gains from disposal	9	9
Realised losses from disposal	-1	0
Income from participations	1,043	1,101
Result from investment properties	**1,189**	**1,231**
Income from investment properties and operating lease	1,123	1,266
Valuation investment properties	67	-35
Result from financial instruments and investment properties	**4,824**	**-7,734**

VBW, as the central organisation of the Association of Volksbanks, has offered VB Regio Invest AG (formerly Volksbank-Quadrat Bank AG, “VB Regio”) the shares it holds in VB Regio Invest AG participation certificates (ISIN AT0000A015R4) for repurchase in accordance with the repurchase memorandum dated 12 April 2021. VB Regio accepted this offer under the value date of 26 May 2021, and the participation certificates were transferred to VB Regio with the same value date against payment of the repurchase price.

This results in a change in the result from financial instruments and investment properties in the amount of euro 826 thousand.

Other operating result

Euro thousand	1-6/2021	1-6/2020
Other operating income	77,025	76,093
Other operating expenses	-13,429	-14,280
Taxes and levies on banking business	-1,171	-1,029
Other operating result	**62,425**	**60,783**

Taxes and levies on banking business mainly comprise the bank levy amounting to euro -1,140 thousand (1-6/2020: euro - 999 thousand).

Detailed description of other operating income and other operating expenses

Euro thousand	1-6/2021	1-6/2020
Income from allocation of costs	74,050	50,626
Realised gains from disposal of fixed assets and security properties	303	23,508
Others	2,672	1,960
Other operating income	**77,025**	**76,093**

Euro thousand	1-6/2021	1-6/2020
Allocation of costs	-12,705	-12,156
Realised losses from disposal of fixed assets and security properties	-10	-338
Allocation/release of provision for negative interest	-68	629
Allocation/release of provision for legal risks	-513	109
Others	-133	-2,525
Other operating expenses	**-13,429**	**-14,280**

General administrative expenses

Euro thousand	1-6/2021	1-6/2020
Staff expenses	-61,227	-59,082
Wages and salaries	-46,023	-44,628
Expenses for statutory social security	-12,136	-11,646
Fringe benefits	-687	-757
Expenses for retirement benefits	-1,297	-1,270
Allocation to provision for severance payments and pension funds	-1,085	-781
Administrative expenses	-36,142	-34,674
Office space expenses	-2,297	-1,841
Office supplies and communication expenses	-853	-1,161
Advertising, PR and promotional expenses	-1,173	-1,231
Legal, advisory and consulting expenses	-5,391	-5,948
IT expenses	-17,215	-17,255
Contribution to the deposit guarantee	-4,204	-3,695
Single Resolution Fund	-1,933	-1,716
Other administrative expenses (including training expenses)	-3,075	-1,827
Depreciation and reversal of impairment	-5,699	-6,998
Depreciation	-3,498	-4,664
Right of use - lease depreciation	-2,201	-2,334
General administrative expenses	**-103,068**	**-100,754**

Income taxes

In the first half of the 2021 business year deferred tax assets for tax loss carryforwards in the amount of euro 3,170 thousand (1-6/2020: euro -2,400 thousand) were regognised.

4) Notes to the consolidated statement of financial position

Liquid funds

Euro thousand	30 Jun 2021	31 Dec 2020
Cash in hand	45,548	48,088
Balances with central banks	6,791,780	3,750,394
Liquid funds	**6,837,328**	**3,798,482**

Despite its comfortable liquidity position, VBW has again decided to participate in the TLTRO III-facility to provide additional liquidity and to support lending to the real economy. Therefore VBW participated in the June 2021 tranche 8 of the TLTRO III-programme with euro 2 billion on behalf of the association of credit institutions. As at 30 June 2021, outstanding borrowings under the third series of the European Central Bank's (ECB) Targeted Longer-Term Refinancing Operations Programme (TLTRO III) amount to euro 3.5 billion, compared to euro 1.5 billion as at 31 December 2020.

The liabilities were recognised at VBW as amounts owed to credit institutions in accordance with IFRS 9 and carried at amortised cost. On the one hand, this classification is based on the fact that TLTRO instruments have meanwhile established themselves as a refinancing market in their own right due to their long-term or regular availability and, on the other hand, that their significant volume has an impact on pricing in the secured refinancing market. VBW has therefore come to the conclusion that the terms and conditions of the TLTRO III-programme do not offer any significant advantage compared to the market, which is why IAS 20 is not applicable, even if the ECB were to be classified as a government organisation, which has also not yet been conclusively clarified.

VBW considers the TLTRO III-instruments to have a fundamentally variable interest rate, as both the underlying reference rate and the premiums are subject to ongoing adjustments by the ECB. In December 2020, for example, the ECB decided to extend the special interest rate conditions for the period between 24 June 2021 and 23 June 2022 for those banks that achieve sufficient loan volumes in an additional reference period between 1 October 2020 and 31 December 2021.

VBW was able to achieve sufficient loan volumes in the reference period between 1 March 2020 and 31 March 2021 (the first Special Interest Rate Period or SIRP) and, as a result, the interest rate on all outstanding TLTRO III-transactions in the period between 24 June 2020 and 23 June 2021 was 50 basis points lower than the average interest rate on the ECB's deposit facility in the same period, but in any case no higher than -1 %.

In order to qualify for the special interest rate of 50 basis points for the period from 24 June 2021 to 23 June 2022 (second SIRP), the outstanding balance of the defined loan portfolio as of 30 September 2020 must be exceeded as at 31 December 2021. As at 30 June 2021, the outstanding balance of the defined loan portfolio in the association of credit institutions was within the planned target corridor, but the fluctuations in the loan volume observed in the past during the reference periods have shown that there is not sufficient certainty at this point in time that VBW will be able to generate the special interest rate of 50 basis points. VBW has therefore been accruing interest on the outstanding amount of euro 3.5 billion since 24 June 2021 over the remaining term of the refinancing at the deposit facility rate of currently -0.5 %.

For the TLTRO III-volume raised (euro 1.5 billion until 23 June 2021 and euro 2.0 billion from 24 June 2021), a total of euro 15.5 million was accrued in the first half of the year and recognised as negative interest expense.

If it is determined by 31 December 2021 that VBW has met the lending targets for the second SIRP, VBW would adjust the interest rate and apply the more favourable rate for the period beginning on 24 June 2021.

Transition from liquid funds to cash and cash equivalents

Euro thousand	30 Jun 2021	31 Dec 2020
Liquid funds	6,837,328	3,798,482
Restricted cash and cash equivalents	-4,901	-4,901
Cash and cash equivalents	**6,832,427**	**3,793,581**

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

Loans and receivables credit institutions and customers

Euro thousand	30 Jun 2021	31 Dec 2020
Loans and receivables credit institutions		
Amortised cost	1,926,068	2,285,932
Fair value through profit or loss	119	118
Gross carrying amount	1,926,187	2,286,050
Risk provisions	-23	-36
Net carrying amount	**1,926,164**	**2,286,014**
Loans and receivables customers		
Amortised cost	5,258,237	5,319,517
Fair value through profit or loss	119,521	132,137
Gross carrying amount	5,377,758	5,451,654
Risk provisions	-78,481	-79,321
Net carrying amount	**5,299,277**	**5,372,333**
Loans and receivables credit institutions and customers	**7,225,441**	**7,658,347**

Sensitivity analysis

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

The following tables show the changes in fair value after adjustment of input factors:

Loans and receivables credit institutions
30 Jun 2021

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

Loans and receivables credit institutions
31 Dec 2020

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

Loans and receivables customers
30 Jun 2021

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	496	-492
Change in risk markup +/- 100 bp	5,162	-4,736
Change in rating 1 stage down / up	40	-511
Change in rating 2 stages down / up	68	-1,145

Loans and receivables customers
31 Dec 2020

Euro thousand	Positive change in fair value	Negative change in fair value
Change in risk markup +/- 10 bp	614	-609
Change in risk markup +/- 100 bp	6,401	-5,850
Change in rating 1 stage down / up	50	-60
Change in rating 2 stages down / up	82	-166

Risk provision

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

Euro thousand	Loan loss provision - Stage 1	Loan loss provision - Stage 2	Loan loss provision - Stage 3	total
As at 01 Jan 2020	4,245	11,157	40,712	56,113
Increases due to origination and acquisition	62	34	43	139
Decreases due to derecognition	-41	-140	-49	-231
Changes due to change in credit risk	-362	872	1,634	2,145
Post-Model Adjustment	8,431	0	2,749	11,180
Decrease in allowance account due to write-offs	0	0	-1,628	-1,628
Other adjustments	1	10	69	80
As at 30 Jun 2020	**12,336**	**11,932**	**43,529**	**67,797**
As at 01 Jan 2021	11,670	19,248	49,217	80,134
Increases due to origination and acquisition	347	344	182	873
Decreases due to derecognition	-542	-863	-637	-2,042
Changes due to change in credit risk	-431	2,869	1,087	3,525
Post-Model Adjustment	-1,399	-1,849	0	-3,248
Decrease in allowance account due to write-offs	0	0	-217	-217
Other adjustments	-260	-80	257	-83
As at 30 Jun 2021	**9,384**	**19,670**	**49,888**	**78,942**

Assets held for trading

Euro thousand	30 Jun 2021	31 Dec 2020
Fixed-income securities	1,458	2,603
Equities and other variable-yield securities	42	40
Positive fair values of derivative instruments	43,435	57,133
Exchange rate related transactions	28	28
Interest rate related transactions	43,407	57,105
Assets held for trading	**44,936**	**59,775**

Since acquisition of the CO function the company maintains a trading book. As at 30 June 2021 the volume of the trading book amounts to euro 1,350,857 thousand (31 Dec 2020: euro 1,677,450 thousand).

Financial investments

Euro thousand	30 Jun 2021	31 Dec 2020
Financial investments		
Amortised cost	2,109,086	2,227,387
Fair value through OCI	14,969	17,193
Fair value through profit or loss	7,304	39,525
Gross carrying amount	2,131,359	2,284,105
Risk provision	-436	-775
Net carrying amount	**2,130,924**	**2,283,330**

Participations

Euro thousand	30 Jun 2021	31 Dec 2020
Investments in unconsolidated affiliates	2,045	2,859
Investments in companies with participating interest	4,023	4,020
Investments in other companies	49,207	42,281
Participations	**55,275**	**49,160**

All participations are valued at fair value through OCI

Sensitivity analysis

Participations measured by using the DCF method

Proportional market value

Euro thousand		Interest rate		
30 Jun 2021		**-0.50 %**	**Actual**	**0.50 %**
	-10.00 %	11,066	10,539	10,064
Income component	**Actual**	12,174	**11,433**	11,060
	10.00 %	13,281	12,636	12,056
31 Dec 2020				
	-10.00 %	10,823	10,297	9,825
Income component	**Actual**	11,914	**11,135**	10,805
	10.00 %	13,005	12,362	11,785

Participations measured by net assets

Euro thousand	Proportional market value		
30 Jun 2021	**If assumption is decreased**	**Actual**	**If assumptions is increased**
Net assets (10 % change)	4,270	**4,669**	5,219
31 Dec 2020			
Net assets (10 % change)	4,223	**4,649**	5,162

Participations measured based on external appraisals

Euro thousand 30 Jun 2021	Lower band	Actual	Upper band
Proportional market value	31,405	**34,884**	38,364
31 Dec 2020			
Proportional market value	26,081	**29,087**	32,094

Other assets

Euro thousand	30 Jun 2021	31 Dec 2020
Deferred items	7,323	2,453
Other receivables and assets	15,546	24,056
Positive fair values of derivative instruments	90,257	131,926
Other assets	**113,126**	**158,436**

Assets held for sale

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

Euro thousand	30 Jun 2021	31 Dec 2020
Investment property	1,534	344
Tangible assets	0	598
Assets held for sale	**1,534**	**942**

Amounts owed to credit institutions

Euro thousand	30 Jun 2021	31 Dec 2020
Central banks	3,728,004	1,588,920
Other credit institutions	2,628,505	2,576,860
Amounts owed to credit institutions	**6,356,509**	**4,165,780**

Amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Jun 2021	31 Dec 2020
Savings deposits	1,759,557	1,814,626
Other deposits	4,664,688	4,821,939
Amounts owed to customers	**6,424,245**	**6,636,565**

Amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2021	31 Dec 2020
Bonds	1,922,757	1,463,851
Amortised cost	1,846,582	1,373,976
Fair value through profit or loss - designated	76,175	89,875
Debts evidenced by certificates	**1,922,757**	**1,463,851**

On 23 March 2021, Volksbank Wien AG issued a senior non-preferred bond with a volume of euro 500 million and a term of 5 years with a fixed interest rate of 0.875 %.

Liabilities held for trading

Euro thousand	30 Jun 2021	31 Dec 2020
Negative fair values of derivative instruments		
Exchange rate related transactions	2	1
Interest rate related transactions	46,888	62,595
Liabilities held for trading	**46,890**	**62,596**

Provisions

Euro thousand	30 Jun 2021	31 Dec 2020
Provisions for post-employment benefits	56,681	56,416
Provisions for off-balance and other risks	6,044	5,995
Stage 1	1,650	1,919
Stage 2	2,345	1,911
Stage 3	2,050	2,165
Other provisions	7,312	6,907
Provisions	**70,037**	**69,318**

Other liabilities

Euro thousand	30 Jun 2021	31 Dec 2020
Deferred items	851	731
Other liabilities	56,995	36,540
Negative fair values of derivative instruments	295,727	442,964
Other liabilities	**353,573**	**480,235**

Subordinated liabilities

Euro thousand	30 Jun 2021	31 Dec 2020
Subordinated capital	398,988	402,879
Supplementary capital	4,000	4,000
Subordinated liabilities	**402,988**	**406,879**

Subordinated liabilities are measured at amortised cost.

Equity

Dividend payment

Euro thousand	1-6/2021	1-6/2020
Dividend non-voting equity	8,525	8,525
Total	**8,525**	**8,525**

The dividend payment for non-voting equity includes the coupon for the AT1 emission in VBW.

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

		Other reserves					
Euro thousand	Retained earnings	IAS 19 reserve	Revaluation reserve	Fair value reserve - equity instruments	Fair value reserve - debt instruments	Own credit risk reserve	Retained earnings and other reserves
As at 01 Jan 2020	**287,633**	**-2,618**	**1,374**	**17,594**	**1,042**	**2,100**	**307,126**
Consolidated net income	28,082						28,082
Other comprehensive	-5	0		-1,967	98	-13	-1,887
Dividends paid	-8,525						-8,525
Reclassification fair value reserve due to sale	-206			206			0
Changes due to reclassification shown under non-controlling interest, capital increases and deconsolidation	15						15
As at 30 Jun 2020	**306,994**	**-2,618**	**1,374**	**15,834**	**1,140**	**2,087**	**324,812**
As at 01 Jan 2021	**301,823**	**1,386**	**1,374**	**13,394**	**1,085**	**1,994**	**321,056**
Consolidated net income	53,048						53,048
Other comprehensive		5		-492	-175	-209	-871
Dividends paid	-8,525						-8,525
Reclassification fair value reserve due to sale	248			-248			0
Changes due to reclassification shown under non-controlling interest, capital increases and deconsolidation	8						8
As at 30 Jun 2021	**346,602**	**1,391**	**1,374**	**12,654**	**910**	**1,785**	**364,717**

5) Own funds

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

Euro thousand	30 Jun 2021	31 Dec 2020
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	340,175	340,175
Retained earnings	250,133	423,612
Accumulated other comprehensive income (and other reserves)	138,457	-87,568
Common tier I capital before regulatory adjustments	728,766	676,220
Common tier I capital: regulatory adjustments		
Regulatory value adjustments	0	0
Intangible assets (net of related tax liability)	-19,710	-20,671
Value adjustments due to the requirement for prudent valuation	-749	-1,023
CET1 instruments of financial sector entities where the institution has a significant investment	0	0
Regulatory adjustments - transitional provisions	13,698	15,396
Adjustments to be made due to transitional regulations under IFRS 9	13,698	15,396
Amount exceeding the threshold of 17.65 %	0	0
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Additional CET1 deductions pursuant to article 3 CRR	-22,750	-14,169
Total regulatory adjustments	-29,511	-20,467
Common equity tier I capital - CET1	**699,255**	**655,753**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional tier I capital before regulatory adjustments	220,000	220,000
Additional tier I capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**220,000**
Tier I capital (CET1 + AT1)	**919,255**	**875,753**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	400,293	400,919
Tier II capital before regulatory adjustments	400,293	400,919
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**400,293**	**400,919**
Own funds total - TC (T1 + T2)	**1,319,547**	**1,276,672**
Common equity tier I capital ratio	18.52 %	16.78 %
Tier I capital ratio	24.34 %	22.40 %
Equity ratio	34.94 %	32.66 %
each in relation to total risk exposure amount		

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

Euro thousand	30 Jun 2021	31 Dec 2020
Risk weighted exposure amount - credit risk	3,201,609	3,287,849
Total risk exposure amount - settlement risk	7	0
Total risk exposure amount for position, foreign exchange and commodities risks	30,390	37,895
Total risk exposure amount for operational risk	533,093	533,093
Total risk exposure amount for credit valuation adjustment (cva)	11,044	49,981
Total risk exposure amount	**3,776,143**	**3,908,817**

The following table shows the own funds of the VBW credit institution group pursuant to CRR - fully loaded

Euro thousand	30 Jun 2021	31 Dec 2020
Common tier I capital: Instruments and reserves		
Capital instruments including share premium accounts	340,175	340,175
Retained earnings	250,133	423,612
Accumulated other comprehensive income (and other reserves)	138,457	-87,568
Common tier I capital before regulatory adjustments	728,766	676,220
Common tier I capital: regulatory adjustments		
Intangible assets (net of related tax liability)	-19,710	-20,671
Value adjustments due to the requirement for prudent valuation	-749	-1,023
CET1 instruments of financial sector entities where the institution has a significant investment	0	0
Additional CET1 deductions pursuant to article 3 CRR	-22,750	-14,169
Total regulatory adjustments	-43,209	-35,863
Common equity tier I capital - CET1	**685,556**	**640,357**
Additional tier I capital: instruments		
Capital instruments including share premium accounts	220,000	220,000
Additional tier I capital before regulatory adjustments	220,000	220,000
Additional tier I capital: regulatory adjustments		
Total regulatory adjustments	0	0
Additional tier I capital - AT1	**220,000**	**220,000**
Tier I capital (CET1 + AT1)	**905,556**	**860,357**
Tier II capital - instruments and provisions		
Capital instruments including share premium accounts	400,293	400,919
Tier II capital before regulatory adjustments	400,293	400,919
Tier II capital: regulatory adjustments		
Total regulatory adjustments	0	0
Tier II capital - T2	**400,293**	**400,919**
Own funds total - TC (T1 + T2)	**1,305,849**	**1,261,276**
Common equity tier I capital ratio	18.22 %	16.44 %
Tier I capital ratio	24.06 %	22.09 %
Equity ratio	34.70 %	32.38 %
each in relation to total risk exposure amount		

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

Euro thousand	30 Jun 2021	31 Dec 2020
Risk weighted exposure amount - credit risk	3,189,137	3,274,463
Total risk exposure amount - settlement risk	7	0
Total risk exposure amount for position, foreign exchange and commodities risks	30,390	37,895
Total risk exposure amount for operational risk	533,093	533,093
Total risk exposure amount for credit valuation adjustment (cva)	11,044	49,981
Total risk exposure amount	**3,763,671**	**3,895,432**

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

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

In the first half of the 2021 business year, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

6) Financial assets and liabilities

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

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Carrying amount - total	Fair value
30 Jun 2021					
Liquid funds	6,837,328	0	0	6,837,328	6,837,328
Loans and receivables credit institutions (gross)	1,926,068	0	119	1,926,187	
Loans and receivables credit institutions less individual loan loss provision	1,926,068	0	119	1,926,187	1,928,519
Loans and receivables customers (gross)	5,258,237	0	119,521	5,377,758	
Individual loan loss provision	-49,888	0	0	-49,888	
Loans and receivables customers less individual loan loss provision	5,208,349	0	119,521	5,327,870	5,583,793
Assets held for trading	0	0	44,936	44,936	44,936
Financial investments (gross)	2,109,086	14,969	7,304	2,131,359	
Individual loan loss provision	0	0	0	0	
Financial investments less individual loan loss provision	2,109,086	14,969	7,304	2,131,359	2,170,916
Participations	0	55,275	0	55,275	55,275
Derivative instruments	0	0	90,257	90,257	90,257
Financial assets total	**16,080,831**	**70,245**	**262,136**	**16,413,211**	**16,711,023**
Amounts owed to credit institutions	6,356,509	0	0	6,356,509	6,356,508
Amounts owed to customers	6,424,245	0	0	6,424,245	6,430,566
Debts evidenced by certificates	1,846,582	0	76,175	1,922,757	1,975,453
Lease liabilities	84,688	0	0	84,688	84,688
Liabilities held for trading	0	0	46,890	46,890	46,890
Derivative instruments	0	0	295,727	295,727	295,727
Subordinated liabilities	402,988	0	0	402,988	413,745
Financial liabilities total	**15,115,012**	**0**	**418,792**	**15,533,804**	**15,603,577**

Euro thousand	Amortised cost	Fair value through OCI	Fair value through profit or loss	Carrying amount - total	Fair value
31 Dec 2020					
Liquid funds	3,798,482	0	0	3,798,482	3,798,482
Loans and receivables credit institutions (gross)	2,285,932	0	118	2,286,050	
Loans and receivables credit institutions less individual loan loss provision	2,285,932	0	118	2,286,050	2,283,437
Loans and receivables customers (gross)	5,319,517	0	132,137	5,451,654	
Individual loan loss provision	-49,217	0	0	-49,217	
Loans and receivables customers less individual loan loss provision	5,270,300	0	132,137	5,402,437	5,565,627
Assets held for trading	0	0	59,775	59,775	59,775
Financial investments (gross)	2,227,387	17,193	39,525	2,284,105	
Individual loan loss provision	0	0	0	0	
Financial investments less individual loan loss provision	2,227,387	17,193	39,525	2,284,105	2,343,758
Participations	0	49,160	0	49,160	49,160
Derivative instruments	0	0	131,926	131,926	131,926
Financial assets total	**13,582,101**	**66,353**	**363,482**	**14,011,936**	**14,232,165**
Amounts owed to credit institutions	4,165,780	0	0	4,165,780	4,165,809
Amounts owed to customers	6,636,565	0	0	6,636,565	6,649,303
Debts evidenced by certificates	1,373,976	0	89,875	1,463,851	1,474,488
Lease liabilities	85,826	0	0	85,826	85,826
Liabilities held for trading	0	0	62,596	62,596	62,596
Derivative instruments	0	0	442,964	442,964	442,964
Subordinated liabilities	406,879	0	0	406,879	409,037
Financial liabilities total	**12,669,026**	**0**	**595,436**	**13,264,462**	**13,290,024**

Fair value hierarchy

Financial instruments recognised at fair value are assigned to the three IFRS fair value hierarchy categories.

Level 1 – Financial instruments measured at quoted prices in active markets, whose fair value can be derived directly from prices on active, liquid markets and where the financial instrument observed on the market is representative of the financial instrument owned by the Group that requires measurement.

Level 2 – Financial instruments measured using procedures based on observable market data, whose fair value can be determined using similar financial instruments traded on active markets or using procedures whose inputs are observable.

Level 3 – Financial instruments measured using procedures based on unobservable parameters, whose fair value cannot be determined using data observable on the market. Financial instruments in this category have a value component that is not observable and which has a significant influence on fair value.

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

Euro thousand	Level 1	Level 2	Level 3	Total
30 Jun 2021				
Loans and receivables credit institutions	0	0	119	119
Loans and receivables customers	0	0	119,521	119,521
Assets held for trading	1,211	43,725	0	44,936
Financial investments	17,209	5,044	20	22,273
Fair value through profit or loss	2,239	5,044	20	7,304
Fair value through OCI	14,969	0	0	14,969
Participations	0	0	55,251	55,251
Fair value through OCI - designated	0	0	55,251	55,251
Derivative instruments	0	90,257	0	90,257
Financial assets total	**18,419**	**139,026**	**174,911**	**332,357**
Debts evidenced by certificates	0	0	76,175	76,175
Liabilities held for trading	0	46,890	0	46,890
Derivative instruments	0	295,727	0	295,727
Financial liabilities total	**0**	**342,617**	**76,175**	**418,792**
31 Dec 2020				
Loans and receivables credit institutions	0	0	118	118
Loans and receivables customers	0	0	132,137	132,137
Assets held for trading	1,697	58,078	0	59,775
Financial investments	19,472	4,948	32,298	56,718
Fair value through profit or loss	2,279	4,948	32,298	39,525
Fair value through OCI	17,193	0	0	17,193
Participations	0	0	49,136	49,136
Fair value through OCI - designated	0	0	49,136	49,136
Derivative instruments	0	131,926	0	131,926
Financial assets total	**21,169**	**194,952**	**213,690**	**429,811**
Debts evidenced by certificates	0	0	89,875	89,875
Liabilities held for trading	0	62,596	0	62,596
Derivative instruments	0	442,964	0	442,964
Financial liabilities total	**0**	**505,561**	**89,875**	**595,436**

Due to immateriality participations with a carrying amount of euro 24 thousand (31 Dec 2020: euro 24 thousand) are measured at amortised cost.

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

In the first half of 2021, as in the previous year, there were no reclassifications of financial instruments between levels 1 and 2.

Development of level 3 fair values of financial assets and liabilities

EUR Tsd.	Loans and receivables credit institutions	Loans and receivables customers	Financial investments	Partici-pations	Financial assets total	Debts evidenced by certificates	Financial liabilities total
As at 01 Jan 2020	**119**	**166,419**	**31,559**	**52,927**	**251,024**	**110,308**	**110,308**
Additions	0	334	0	0	334	0	0
Disposals	0	-22,070	0	-12	-22,081	-21,217	-21,217
Valuation							
Through profit or loss	-1	-3,476	460	0	-3,016	2,284	2,284
Through OCI	0	0	0	-1,762	-1,762	18	18
As at 30 Jun 2020	**119**	**141,207**	**32,019**	**51,153**	**224,497**	**91,392**	**91,392**
As at 01 Jan 2021	**118**	**132,137**	**32,298**	**49,136**	**213,690**	**89,875**	**89,875**
Additions	0	1,043	0	6,750	7,793	229	229
Disposals	0	-14,383	-32,789	-531	-47,702	-10,000	-10,000
Valuation							
Through profit or loss	0	724	510	0	1,235	-4,182	-4,182
Through OCI	0	0	0	-104	-104	253	253
As at 30 Jun 2021	**119**	**119,521**	**20**	**55,251**	**174,911**	**76,175**	**76,175**

The valuations shown in the table above are included in the item income from financial instruments and investment properties (income statement) or the fair value reserve (other comprehensive income). The valuations recorded in the income statement include holdings of financial assets and liabilities to the amount of euro -3,471 thousand (1-6/2020: euro -497 thousand) at the reporting date.

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

7) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2021	1-6/2020	30 Jun 2021	31 Dec 2020
Employees	1,287	1,260	1,303	1,297
Workers	5	6	5	5
Total number of staff	**1,292**	**1,266**	**1,308**	**1,302**

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

8) Branches

	30 Jun 2021	31 Dec 2020
Total number of branches domestic	**57**	**58**

9) Related party disclosures

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Companies measured at equity	Companies which exercise a significant influence on the parent as shareholders
30 Jun 2021				
Loans and receivables credit institutions	0	0	4,555	0
Loans and receivables customers	0	1,597	0	0
Fixed-income securities	0	0	0	355,479
Assets held for sale				
Amounts owed to credit institutions	0	0	236,191	0
Amounts owed to customers	1,382	4,046	24,877	0
Provisions	0	6	0	0
Transactions	4,788	4,436	261,968	0
31 Dec 2020				
Loans and receivables credit institutions	0	0	15,307	0
Loans and receivables customers	195	1,597	0	0
Fixed-income securities	0	0	0	357,062
Assets held for sale				
Amounts owed to credit institutions	0	0	248,164	0
Amounts owed to customers	6,010	4,046	24,466	0
Provisions	0	6	11	0
Transactions	5,402	3,874	259,124	0

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

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

The Republic of Austria exercises a significant influence on the VBW Group as a shareholder. Disclosures are limited to securities of the issuer republic of Austria. The simplification option allowed by IAS 24.26 for companies in the sphere of the public sector was exercised.

Loans and receivables credit institutions contain transactions with the Volksbank-Sector amounting to euro 1,664,240 thousand (31 Dec 2020: euro 1,873,734 thousand) and amounts owed to credit institutions include transactions with the Volksbank-Sector amounting to euro 2,441,439 thousand (31 Dec 2020: euro 2,359,951 thousand).

10) Segment reporting by business segments

1-6/2021 Euro thousand	Retail	CO	Consolidation	Total
Net interest income	45,240	24,462	0	69,702
Risk provisions	1,890	294	0	2,184
Net fee and comission income	32,019	-2,509	9	29,520
Net trading income	67	-2,966	0	-2,899
Result from financial instruments and investment properties	1,935	2,889	0	4,824
Other operating result	1,918	87,517	-27,010	62,425
General administrative expenses	-71,856	-58,214	27,001	-103,068
Result from companies measured at equity	574	106	0	680
Result for the period before taxes	**11,787**	**51,581**	**0**	**63,368**
Income taxes	-497	-9,825	0	-10,322
Result for the period after taxes	**11,290**	**41,756**	**0**	**53,046**
30 Jun 2021				
Total assets	**6,499,791**	**11,265,129**	**-1,096,249**	**16,668,672**
Loans and receivables customers	5,164,418	141,738	-6,880	5,299,277
Companies measured at equity	30,016	8,929	0	38,945
Amounts owed to customers	5,702,766	900,906	-179,426	6,424,245
Debts evidenced by certificates, including subordinated liabilities	99,074	2,226,671	0	2,325,745

1-6/2020 Euro thousand	Retail	CO	Consolidation	Total
Net interest income	50,425	11,018	0	61,443
Risk provisions	-10,674	-949	0	-11,623
Net fee and comission income	31,009	-2,389	33	28,653
Net trading income	196	1,257	0	1,453
Result from financial instruments and investment properties	-1,660	-6,074	0	-7,734
Other operating result	117	80,297	-19,631	60,783
General administrative expenses	-67,196	-53,156	19,598	-100,754
Result from companies measured at equity	35	423	0	458
Result for the period before taxes	**2,253**	**30,426**	**0**	**32,680**
Income taxes	-648	-3,944	0	-4,592
Result for the period after taxes	**1,605**	**26,483**	**0**	**28,088**
31 Dec 2020				
Total assets	**6,672,096**	**9,133,803**	**-1,524,824**	**14,281,075**
Loans and receivables customers	5,235,990	143,284	-6,941	5,372,333
Companies measured at equity	29,953	8,738	0	38,691
Amounts owed to customers	5,546,177	1,233,026	-142,637	6,636,565
Debts evidenced by certificates, including subordinated liabilities	103,074	1,767,655	0	1,870,730

11) Subsequent events

As at 30 July 2021, the Financial Market Authority has prohibited Autobank Aktiengesellschaft from continuing its business operations with immediate effect pursuant to section 57 (1) Austrian General Administrative Procedures Act in conjunction with section 70 (2) no. 4 Austrian Banking Act.

Customers no longer have access to accounts held for them as a result of the cessation of business operations. Pursuant to section 9 of the Austrian Deposit Guarantee and Investor Compensation Act (ESAEG), a guarantee claim has thus occurred.

The amount required for compensation is available in the deposit guarantee fund, which means that no special contributions are expected to be collected by the deposit guarantee fund in the short term. As the members of Einlagensicherung AUSTRIA Ges.m.b.H. have to replenish outflows from the deposit guarantee fund, the Association of Volksbanks expects without taking into account any recoveries from the bankrupt`s estate an additional annual contribution of approx. euro 4 million over the next four years.

12) Quarterly financial data

Euro thousand	4-6/2021	1-3/2021	10-12/2020	7-9/2020	4-6/2020
Net interest income	48,704	20,998	25,191	29,576	32,892
Risk provision	918	1,267	-12,214	-2,770	-9,752
Net fee and commission income	15,054	14,466	14,885	13,780	12,624
Net trading income	-1,728	-1,171	-1,446	-1,289	528
Result from financial instruments and investment properties	4,659	165	4,335	6,985	6,909
Other operating result	32,001	30,424	20,151	26,544	21,036
General administrative expenses	-45,216	-57,852	-51,169	-54,445	-43,644
Result from companies measured at equity	237	443	-372	-167	-11
Result for the period before taxes	**54,630**	**8,738**	**-639**	**18,215**	**20,582**
Income taxes	-10,962	640	-10,207	-4,682	-6,863
Result for the period after taxes	**43,668**	**9,378**	**-10,846**	**13,533**	**13,719**
Result attributable to shareholders of the parent company (Consolidated net result)	**43,673**	**9,375**	**-10,823**	**13,528**	**13,715**
Result attributable to non-controlling interest	-6	3	-23	5	4

COMPLIANCE STATEMENT

VOLKSBANK WIEN AG
Statement of all legal representatives

We confirm to the best of our knowledge that the condensed half year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed half year financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 24 August 2021

Gerald Fleischmann
Chairman of the Managing Board

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

Rainer Borns
Deputy Chairman of the Managing Board

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

Thomas Uher
Deputy Chairman of the Managing Board

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

Area of responsibility Joint Managing Board
Compliance, Audit

IMPRINT

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A-1030 Vienna, Dietrichgasse 25

Photos:
iStock, GoranStimac

Translation:
All Languages Alice Rabl GmbH

Copy deadline:
August 2021

In order to improve readability, any role descriptions in this report that are used only in the masculine form apply analogously to the feminine form.


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