

Disclosure under the CRR

VOLKSBANK WIEN AG – CREDIT INSTITUTION GROUP

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1 General information on disclosure

This document serves to fulfil the requirements pursuant to Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) for the credit institution group of VOLKSBANK WIEN AG.

1.1. Disclosure obligations and procedures

CRR Art 431

VOLKSBANK WIEN AG fulfils the requirements pursuant to Regulation (EU) No. 575/2013 and Directive (EU) 2021/637 of the European Parliament and of the Council on the basis of the consolidated financial position of the credit institution group as at the reporting date 31 December 2024. All quantitative data are in thousands of euros unless otherwise stated.

A formal procedure exists at VOLKSBANK WIEN AG to ensure the correct fulfilment of disclosure obligations. This procedure is set down in writing in a disclosure framework, which is reviewed at least annually for up-to-dateness and completeness and approved by the Managing Board.

The framework describes the required minimum quantitative and qualitative content for each disclosure requirement, defining the responsibilities for preparing the disclosure content and the required review steps. Before each disclosure date, each responsible person checks whether there is relevance for the disclosure of certain content (e.g. securitisations, internal models, foreign branches). This procedure ensures that the relevant disclosure content is made available to market participants in the disclosure report in a complete and comprehensible manner.

To ensure correct disclosure that is consistent with other reports, three-stage quality assurance is embedded in the disclosure process. The initial topic-specific quality assurance is performed by the organisational unit responsible for the respective disclosure topic. The second stage of quality assurance is carried out as part of the process of compiling the content in the disclosure report. The focus is on completeness and cross-topic consistency. The third and final stage is the final reconciliation between the disclosure report and the Annual Report.

The Chief Financial Officer (CFO) approves the disclosure report for publication.

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

CRR Art 432

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

1.3. Frequency of disclosure

CRR Art 433

The CRR II has clearly defined the principle of proportionality. The scope and reporting frequency of disclosure depend on the size and complexity of institutions and are described in Articles 433, 433a, 433b and 433c of the CRR.

VOLKSBANK WIEN AG is classified as “other institution”; hence, the frequency and scope of disclosure are defined pursuant to CRR Art 433c.

The content to be disclosed annually as at the end of the year is published separately by qualitative content and standardised quantitative content in two separate documents. During the year, the scope is smaller and predominantly quantitative, so disclosure is in the form of Excel spreadsheets.

1.4. Means of disclosure

CRR Art 434

Disclosure in accordance with Chapter 8 of the CRR is made for the credit institution group of VOLKSBANK WIEN AG on the website of VOLKSBANK WIEN AG.

2 Risk management and governance

2.1 General information on risk management

CRR Art 435(1); EU OVA

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

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

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

Risk policy principles

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

Organisation of risk management

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

The business model requires risks to be identified, assessed, measured, aggregated and controlled effectively. Risks and capital are managed by means of a framework of principles, organisational structures as well as measuring and monitoring processes that are closely aligned with the activities of the departments and divisions. As a prerequisite and basis of solid risk management, the Risk Appetite Framework (RAF) for VBW is continuously being developed, in order to define risk

appetite and the level of risk tolerance that VBW is prepared to accept to achieve its defined goals. The level of risk tolerance manifests itself in the definition and monitoring of appropriate limits and controls, in particular. The framework is verified and developed with respect to regulatory requirements, changes of the market environment or the business model on a current basis. The Association of Volksbanks aims to develop, by way of this framework, a disciplined and constructive control environment where all employees understand and live up to their role and responsibility.

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

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

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

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

Additionally, a sustainability committee (NAKO) with the power to adopt resolutions was set up for reporting purposes and to manage key sustainability topics.

Risk management across the Association

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

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

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

Internal Capital Adequacy Assessment Process

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

The individual elements of the cycle are performed at varying intervals (e.g. daily for market risk / trading book risk measurement, quarterly for preparing the risk-bearing capacity calculation, annually for the risk inventory and the determination of the risk strategy). All the activities described within the cycle are reviewed for up-to-dateness and adequacy at least annually, and adjusted to the respective current environment if necessary; they are approved by the Managing Board of the CO. ESG (E=Environment, S=Social, G=Governance) and sustainability risks have been integrated into the internal capital adequacy process over recent years by taking ESG risks into account in all elements of the internal capital adequacy process. ESG risks were not included as a separate risk type, but were mapped within the existing risk types. The methods, models and strategies used will be continuously developed and are meant to contribute to successively measuring inherent ESG risks more accurately.

Risk inventory

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

Additionally, ESG risks are analysed and assessed annually as part of the risk inventory using ESG heat maps. The ESG heat map is a tool to identify, analyse and assess the materiality of ESG risks and/or their risk drivers. In the ESG heat map, various risk events are described and evaluated for all relevant risk types of the Association of Volksbanks. The findings are then mapped in the risk inventory within the framework of existing risk types.

Risk strategy

The risk strategy of the Association is based on the business strategy of the Association and provides for consistent general conditions and principles for uniform risk management. VBW's local risk strategy essentially builds on the risk strategy of the Association and defines regional specifications and local specifics. The risk strategy is reviewed for up-to-dateness and adequacy at least annually and adjusted to the respective current general conditions. It provides the rules for the handling of risks and ensures risk-bearing capacity at all times. The risk strategy is prepared in the course of business planning. Across the Association, the contents of the risk strategy and of business planning are linked up by incorporating the targets of the Risk Appetite Statement in GI Strategy, Planning and Reporting.

VBW is committed to a sustainable corporate culture and strives to establish ESG aspects in all areas of the company. The risk strategy also includes a sub-risk strategy for ESG risks. It maps the ESG risks inherent in the existing risk types, which can be derived from the ESG heat maps and the internal stress test.

Risk Appetite Statement (RAS) and limit system

The core element of the risk strategy is a Risk Appetite Statement (RAS) and integrated limit system in line with the business strategy. The RAS set of indicators comprising strategic and deepening indicators helps the Managing Board to implement central strategic goals of VBW, specifying the same in operational terms. Moreover, a comprehensive set of additional RAS indicators is considered regularly.

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

- Capital-based ratios (e.g. CET1 capital ratio, T1 ratio, TC ratio, utilisation of risk-bearing capacity)
- Credit risk ratios (e.g. NPL ratio, coverage ratio, foreign customer exposure, forbearance ratio, sector concentrations)
- Market/liquidity risk ratios (e.g. LCR, NSFR, survival period, interest rate coefficients)
- Ratios relating to operational risk (e.g. OpRisk losses in proportion to CET1, ICS implementation rate)
- Other risk-relevant ratios (e.g. cost-income ratio)

Since 2024, ratios with an ESG focus (physical risks or portfolio coverage of ESG scores) have been integrated in the RAS set of indicators.

Risk-bearing capacity calculation

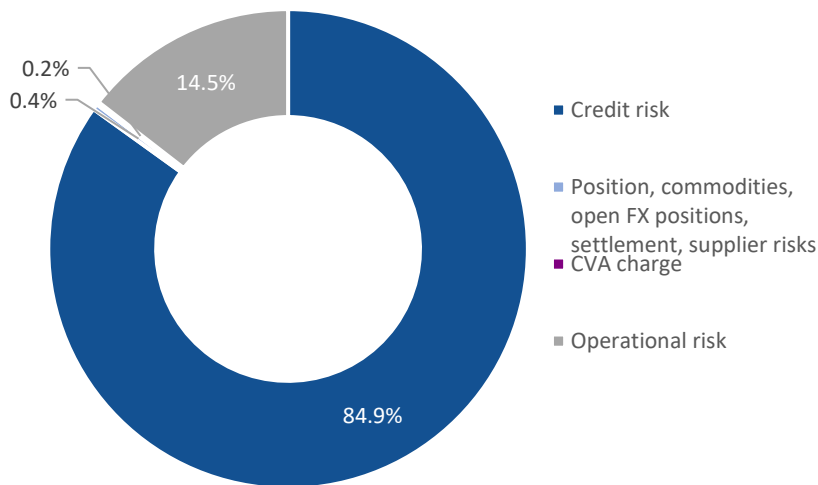
The risk-bearing capacity calculation constitutes a central element within the implementation of the ICAAP. It is used to provide evidence of the fact that the risks assumed are sufficiently covered by adequate internal capital at all times and to ensure such cover in future. For this purpose, all relevant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

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

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

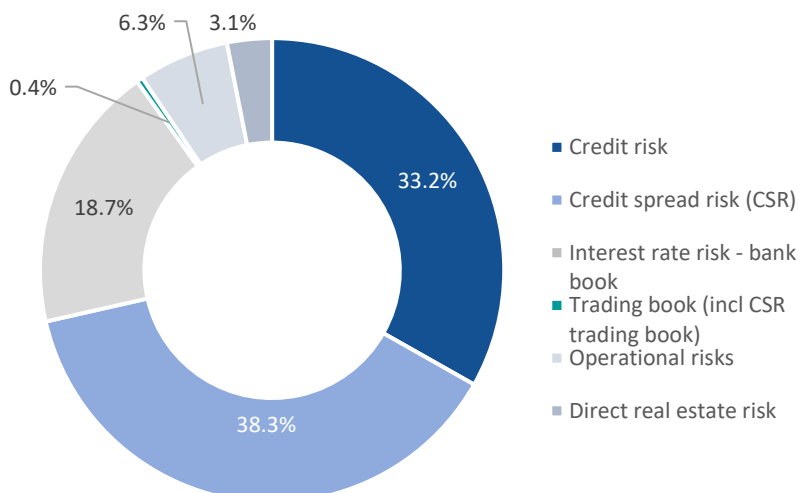
The regulatory Pillar 1 perspective compares the total risk exposure amount calculated in accordance with applicable legal provisions with regulatory own funds. Ensuring regulatory risk-bearing capacity is stipulated under the law and constitutes a minimum requirement. The composition of the regulatory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

The distribution of risks from a regulatory perspective is the following as at 31 December 2024:



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

The distribution of risks from an economic perspective is the following as at 31 December 2024:



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

Stress testing

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

Apart from these risk-type-specific stress tests and sensitivity analyses, internal stress tests are regularly carried out across risk types. The regular internal stress test consists of scenario analyses, sensitivity analyses and the reverse stress test. In the scenario analyses, economic crisis scenarios are defined and changed risk parameters for the individual risk categories and business areas derived therefrom. Apart from the risk aspect, the effects of crisis scenarios on regulatory own funds and the internal capital under the economic perspective are determined as well. At this point, the requirements of the normative perspective overlap with the requirements regarding scenario analyses for the internal stress test: the development of regulatory own funds ratios is simulated for various crisis scenarios over a period of several years. Based on the findings of the internal stress tests, recommended actions are defined and transposed into measures if necessary.

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

At present, EU-wide stress tests across risk types are being carried out by the EBA/ECB every two years, with the Association of Volksbanks participating. The last EBA/ECB stress test was carried out in 2023. The results of the stress tests for the Association of Volksbanks were used by the ECB to assess the capital requirement (Pillar 2 Guidance) within the SREP.

Recovery and resolution planning

As the Association of Volksbanks was classified as a significant institution in Austria, the Association must prepare a recovery plan and submit the same to the European Central Bank. VBW in its function as the CO of the Association of Volksbanks is responsible for drawing up the Group Recovery Plan (GRP) for the Association. No separate recovery plan is being prepared for VBW and affiliated institutions. The GRP is updated at least once a year and takes into account changes in business activities as well as changes in regulatory requirements.

2.2 Information on risk management objectives and policies by risk category

Credit risk

CRR Art 435(1), EU CRA

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

Credit risk management organisation

Within VBW, the responsibilities associated with credit risk are taken care of by Credit Risk Management and certain subdivisions of Risk Control. The Credit Risk Management, Restructuring & Workout division is responsible for operational credit risk management. Risk Control is responsible for risk assessment, risk measurement and risk control as well as for credit risk reporting at portfolio level.

Operational credit risk management

Lending principles

- Loan transactions are necessarily based on decisions involving borrower-specific limits. The determination and monitoring of certain limits is subject to uniform regulations at the level of the Association.
- The rating obligation applies to all borrowers with exposures above the defined minimum amount. The rating process is based on the dual-control principle and is applicable across the Association.
- Loan commitments take account of the economic performance of borrowers, of financing requirements and investment volumes. The borrower's repayment ability is a prerequisite for granting a loan. Financing requirements and investment volume are reconciled in advance. Loan maturities must not exceed the useful lives of the assets financed. Attention is paid to the inclusion of reasonable own funds.
- Loan transactions with private customers are subject to the regulations and information requirements of the Austrian Consumer Credit Act (VKrG) and those of the Austrian Mortgage and Real Estate Credit Act (HIKrG), which apply independently of each other.
- The provisions under the Credit Institutions Real Estate Financing Measures Ordinance (KIM-VO) of the Austrian Financial Market Authority (FMA) for newly agreed private real estate financing are complied with and have been monitored separately since their entry into force.
- The topic of sustainability/ESG factors as well as potential climate-related transitory and physical risks are considered in the lending process.
- In selecting collaterals, attention is paid to the cost-benefit ratio, and therefore recoverable collaterals that cause little administrative effort and are not very cost-intensive will preferably be resorted to, as well as actually realisable collaterals. For this reason, physical collaterals, such as real estate collaterals, and financial collaterals, such as cash collaterals or collaterals in the form of securities, are given priority. The recoverability and enforceability of collaterals must basically be assessed prior to any credit decision. Principles for the management of collaterals and uniform rules for the selection, provision, administration and valuation of collaterals apply at the level of the Association.
- Foreign currency and repayment vehicle loans are basically no longer offered or granted.
- The principal market for lending business is the Austrian market.

Decision-making process

In all units of VBW that generate credit risk, there is a strict separation of sales and risk management. All decisions in individual instances are taken strictly observing the dual-control principle; clear processes have been defined for this purpose. Limit systems play an important role in this context, as they provide a framework for the decision-making powers of the individual units.

Monitoring of exposures and collaterals

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

Limits

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

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

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

In addition, materiality limits are defined for industry sectors at the level of the Association and of the affiliated banks, and further control measures are applied if these limits are exceeded.

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

Intensified credit risk management

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

Early warning (EWS)

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

Dunning procedure

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

Forbearance

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

Default identification

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

The NPL ratio of the association of credit institutions and of VBW saw positive development until 2022 and in the years before; however, starting in the second half of 2023 and especially in 2024, a marked increase was observed, as major defaults, in the Real Estate segment in particular, were no longer compensated by portfolio reductions. The highest increase in new defaults in 2024 is seen in the Real Estate sector. The Austrian real estate market did not recover in 2024 despite previous expectations. The following factors in particular led to a significant drop in transactions on the Austrian residential real estate market in 2023 and 2024:

- significant increase in interest rate levels within a short period of time,
- regulatory restrictions on lending within the scope of the Austrian KIM ordinance (governing real estate financing measures in banks), as well as
- increase in construction costs due to supply difficulties subsequently followed by high inflation

The associated high strain on cash and cash equivalents and delayed loan repayments has also led to a significant increase in intensified credit risk management due to the resulting key forbearance indicators and/or rating downgrades.

Problem Loan Management

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

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

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

Monitoring of industry sectors

In order to enable an even more detailed and, above all, more sector-specific management of the portfolio of the Association of Volksbanks over and above all the measures and limits already in place, industry sectors with a higher risk level are

identified based on the results of the regular sector analyses, with a distinction being made between a regular, half-yearly process and an ad hoc process. Subsequently, the results of this analysis will be transferred to the existing EWS, thus enabling sector-specific early warning.

Since 2022, separate requirements have been applying to new financing in those sectors that are particularly affected by an increase in energy costs.

Quantitative credit risk management

Measurement and control of credit risk

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

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

Rating systems

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

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

Credit value at risk

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

Concentrations

The effects of concentrations are quantified and measured monthly, via the risk parameters identified, on the one hand, and in the course of preparing the risk report, on the other hand.

Credit risk mitigation

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

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

Credit risk reporting

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

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

The following analyses are part of the report:

- Portfolio distribution
- Development of new business
- Distribution of credit ratings
- Non-performing loans (NPL)
- EWS/PLM portfolio
- Real Estate portfolio
- Corp/SME portfolio
- Forbearance
- Credit risk concentrations
- Country group analysis
- Customer segments
- Distribution across industry sectors

In addition to reporting as part of the aggregate bank risk report, a Fast Close Risk Report is prepared at Association level on a monthly basis immediately after year-end based on daily raw data from the core banking system. The report provides an initial indication of the current development of the customer portfolio, of crisis indicators, and of inflows and outflows in the NPL (non-performing loans) and forbearance portfolio, and information about the development of the overdraft portfolio. Moreover, it contains a brief overview of the development of risk provisions to track developments continuously and to implement measures promptly.

Counterparty credit risk

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

For the purpose of reducing the counterparty risk of derivative transactions, the Association of Volksbanks uses credit risk mitigation methods such as netting and exchange of collaterals. The Association has concluded standardised ISDA framework agreements for bilateral netting and a corresponding Credit Support Annex (CSA) with all financial counterparties. The netted fair values of the derivative transactions are reconciled daily with the relevant counterparties. If the fair values

exceed certain contractually agreed thresholds, such excess amounts must be covered by collaterals. These collaterals are recognised in regulatory terms and reduce the risk.

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

CRR Art 439 (a)

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

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

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

Offsetting of the counterparty risk of derivatives for credit risk purposes is based on the Standardised Approach for Counterparty Credit Risk (SA-CCR) in accordance with CRR II (Regulation (EU) 2019/876) Part 3 Title II Chapter 6 Section 3.

For limit monitoring purposes, the counterparty risk of derivatives is accounted for on the basis of the Current Exposure Method (CEM; fair value, if positive, + AddOn). The add-ons, which depend on the residual term of the transaction, represent a premium intended to cover future fluctuations in fair value.

CRR Art 439 (b)

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

CRR Art 439 (c)

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

CRR Art 439 (e)

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

Market risk

CRR Art 435(1), EU MRA

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

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

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

Credit spread risk

The portfolio relevant for the credit spread risk includes both the company's own bond portfolio and loans and receivables to customers that are classified as FVPL (fair value through profit or loss) and do not meet the SPPI requirements (solely payments of principal and interest). The bond portfolio is primarily held as a liquidity buffer, centrally at VBW for the major part, and is therefore mainly invested in public sector bonds of European countries with good credit ratings and in covered bonds. Most of it is eligible for the regulatory liquidity coverage ratio (LCR). Moreover, an opportunity portfolio has been developed since 2024 through investments in Corporates and Senior Financials, to invest liquidity reserves as profitably as possible. As, in exceptional cases, hidden burdens may be realised in the bond portfolio through extraordinary sales, AC-classified items are equally included in credit spread risk. The SPPI-impaired loans and receivables to customers classified as FVPL (fair value through profit or loss) represent an expiring portfolio that is distributed across the banks of the Association, with new business only taking place in exceptional cases. Other balance sheet items that are subject to a credit spread are classified as non-credit-spread sensitive, as any hidden burdens cannot be realised.

A distinction is made between the present value risk (EVE risk) and the periodic risk (NII risk). Present value risk measurement is effected via credit spread VaR and the sensitivity to any increase in credit spreads by 100 bps. For the purposes of calculating the VaR, the portfolio is divided into risk clusters, depending on credit rating, branch of industry, type of product and seniority. The VaR is included in the ICAAP as part of the risk-bearing capacity calculation. Reporting takes place monthly within the ALCO and is part of the aggregate bank risk report.

The measurement of the periodic credit spread risk (NII risk) is currently being developed. However, this risk is immaterial, as the major part of the bond portfolio is invested in positions with high credit ratings and low spreads, meaning that any material reduction of the spreads of new investments is impossible. For loans and receivables to customers designated as FVPL, new investments are only possible in exceptional cases, which means that no material risk arises in this area either. The major part of the bond portfolio is designated as AC (amortised cost) under IFRS 9. The volume of loans and receivables to customers designated as FVPL is small. Therefore, the credit spread risk that affects P&L and OCI is low.

Concentration risk

Concentration risks within credit spread risk can arise at the level of issuers or risk clusters in case of similar issuers. These risk clusters are reported in the ALCO.

Market risk in the trading book

The market risk in the trading book of VBW is of subordinate importance. The trading book is kept centrally at the CO. The affiliated banks do not keep any trading book. The main function of the trading book is that of a transformer, where smaller batches from retail banking are collected and dynamically hedged in the market. Additionally, Treasury takes market risks within the scope of the limits approved, in order to produce corresponding income. The trading book volume is permanently below the regulatory threshold of euro 500 million (Art 325a CRR).

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

The trading book risk at VBW is relatively low and mainly arises from euro interest rate positions.

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

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

Foreign exchange risk (open FX positions)

The foreign exchange risk from open FX positions is immaterial at VBW. It arises due to changes of the value of outstanding receivables and liabilities in foreign currencies through exchange rate fluctuations. It is minimised by Treasury as part of liquidity management.

Interest rate risk from positions not included in the trading book

CRR Art 435 (1) a)-d) and CRR Art 448 (1) and (2)

Interest rate risks emerge primarily through term transformation, which arises from different fixed interest rates between assets and liabilities. VBW pursues a strategy of positive term transformation, where the fixed interest period of the assets is longer than that of the liabilities, constituting a source of income in the form of the structural contribution within net interest income. The interest rate position mainly derives from retail business, where fixed interest loans are granted that are refinanced through customer deposits with shorter fixed interest periods. The fixed-interest portfolio has been built up over several years, creating a rolling fixed-interest position.

The interest rate risk in the banking book comprises all interest-bearing transactions reported and not reported in the balance sheet (except for transactions in the trading book), as well as interest-sensitive assets and liabilities (participations and provisions). The interest rate risk position associated with the retail business mainly arises from index-linked loans and loans with fixed interest rates, from deposits in the form of sight and savings deposits without fixed interest rates or with limited bonus interest payments, as well as from fixed interest deposits. Implicit floors both in the assets- and liabilities-

side retail business are taken into account. Other decisive factors are bond positions of the bank's own portfolio, own issues and the interest rate swaps used to control the interest rate position.

A distinction is made between present value interest rate risk (EVE risk, Economic Value of Equity) and net interest income risk (NII risk). The present value interest rate risk is measured using the EVE coefficient under Art 84 CRD in connection with the RTS for the interest rate risk outlier test, the PVBP (Price Value of a Basis Point) as well as the interest rate book VaR. The net interest income risk is measured using the NII coefficient (equally under Art 84 CRD in connection with the RTS for the interest rate risk outlier test). The two coefficients of the regulatory outlier test are defined as strategic RAS indicator.

In keeping with the company's strategy, VBW shows positive interest term transformation, measured by the EVE coefficient and the PVBP. In case of positive term transformation, the present value interest rate risk consists in increasing interest rates. Due to continued growth in fixed interest loans and to reallocations of index-linked to fixed interest loans, hedges were required to comply with the internal trigger for the EVE coefficient in 2024. The EVE coefficient markedly decreased in July 2024, due to a recalibration and remodelling of the replication assumptions, and has not triggered any need for hedging transactions ever since. Monthly volatility of the coefficient mainly arose from the usual effects of payment transactions and fixing.

As opposed to present value interest rate risk, net interest income risk, measured by the NII risk coefficient, mainly consists in falling interest rates, especially short-term interest rates. This is mainly due to the fact that a substantial part of assets continues to be index-linked and that the adjustment of interest rates for customer deposits is comparatively slow. In July 2024, the recalibration and remodelling of replication assumptions caused the NII coefficient to increase markedly at VBW, among others, which resulted in a need for hedging throughout the Association that was met by terminating several layer hedges and concluding a cash flow hedge.

The following table shows the effects of the interest rate scenarios defined in the RTS for the interest rate risk outlier test for the cut-off dates 31 December 2024 compared to 31 December 2023 for net present value risk and for net interest income risk. The effects of six scenarios are reported for net present value risk, and the effects of two scenarios for net interest income risk. At the end of 2024, the highest negative change in net present value amounts to approximately euro 52 million in the parallel up scenario, which corresponds to an EVE-coefficient of 6.9 %. At the end of 2024, the net interest income risk amounts to euro 31 million in the parallel down scenario, which corresponds to a NII-coefficient of 4.1 %.

Supervisory shock scenarios		a	b	c	d
		Changes in economic value of equity (euro million)		Changes in net interest income (euro million)	
		Current period	Previous period	Current period	Previous period
1	Parallel up	-52.2	-90.3	26.1	38.1
2	Parallel down	26.3	61.6	-31.0	-41.3
3	Steeper	-2.6	-37.0		
4	Flattener	-4.8	12.7		
5	Short rates up	-22.0	-7.3		
6	Short rates down	8.5	3.2		

Figure: supervisory interest rate shock scenarios under Article 98(5) of Directive 2013/36/EU (reporting form EUR IRRBB1)

Retail business without capital tie-up is included in interest rate risk modelling by way of replication assumptions, in order to show price sensitivity to interest rate changes (e.g. for sight/savings deposits, current account overdrafts, loans "until further notice" etc.). Deposits with variable fixed interest rate(s), where the contractual fixed interest rate can be overridden

by the bank using mark-ups/discounts, are equally included in the modelling. The model of replication assumptions aims to describe the development of customer interest rates depending on market interest rates and is based on minimising the volatility of the margin between customer interest rates and interest rates in the replication assumptions. The positions to be replicated are divided into a “stable” and a “non-stable” portion, with an overnight fixed interest rate being assigned to the non-stable portion. The stable portion is divided into a money market-linked portion and a capital market-linked portion. The capital market portion is modelled by a rolling portfolio of up to ten-year investments. In the model, the average fixed interest rate period of all replicated deposits amounts to 2.4 years, that of the loans and receivables to 1.0 years (as at December 2024).

For loans, a prepayment rate is modelled. This describes the average annual additional repayment made over and above the contractual repayment. It is statistically calibrated on the basis of sub-portfolios. Replication assumptions and prepayment rates are used consistently in both present value modelling and interest income simulation.

For the net present value calculation, embedded interest rate floors for loans are also included in the interest rate risk position using the option pricing model. As, pursuant to Supreme Court case law, savings deposits cannot bear negative interest in Austria, this interest rate floor for the stable portion of replicated savings deposits (from the modelling of replication assumptions) is equally calculated using the option pricing model. At current interest rate levels, the floors no longer constitute any material contribution to interest rate risk.

The Asset Liability Committee (ALCO) is responsible for controlling the interest rate position of VBW within the scope of risk limits defined by Risk Control and approved by the Managing Board via the risk strategy. The ALCO is convened monthly or ad hoc as required. The Asset Liability Management (ALM) function, which belongs to the Treasury function in organisational terms, is responsible for the management of the ALCO. Proposed measures to control the interest rate position are worked out by ALM in cooperation with Risk Control. Interest rate risk reporting within the ALCO is taken care of by Market and Liquidity Risk Control. Interest rate risk is controlled from a dual perspective, both under a present value perspective and under a periodic/NII-oriented perspective.

Present value risk measurement and limitation are mainly effected on the basis of regulatory interest rate scenarios (six scenarios according to RTS for the interest rate risk outlier test, i.e. 200 bps parallel up, 200 bps parallel down, steepener, flattener, short rate up, short rate down) using the EVE coefficient, the PVBP (price value of a basis point), as well as the interest rate book VaR based on historical simulation, supplemented by a presentation of the interest rate position in the form of interest rate gaps (net position of the fixed interest rates per maturity band). Period-based net interest income risk measurement is implemented in the form of a net interest income simulation. In the process, two risk scenarios defined in accordance with RTS for the interest rate risk outlier test (200 bps parallel up, 200 bps parallel down) are calculated in terms of their effects on net interest income for the next 12 months, based on the assumption of an immediate interest rate change compared to the result for constant interest rates. Additionally, the NII risk is calculated for a 3-year horizon. The results of the net interest income simulation and the interest rate book VaR are taken into account quarterly in the ICAAP within the scope of the risk-bearing capacity calculation.

Within the scope of semi-annual stress testing across the Association, additional IRRBB-specific scenarios are calculated apart from the scenarios mentioned above, in order to quantify their effect on net present value and/or NII risk. These scenarios include extreme interest rate movements, such as – with a view to the resulting changes in net present value – an immediate rise in interest rates of the yield curve by 500 basis points and a very sharp rise in interest rates between +200 and +400 basis points, and – with a view to negative NII changes – an immediate parallel shift of the yield curve downwards by -300 basis points (without scenario floor). Moreover, the models for replication assumptions and prepayments are stressed to simulate the effects of changing customer behaviour. Changed option volatilities and their effects on the net present value of the option portfolio are calculated.

The interest rate risk in the banking book is limited for the Association as well as for VBW (due to its special function as CO). Limits are set for the EVE coefficient, the NII coefficient, as well as for interest rate gaps. Additional RAS indicators are defined at the level of the affiliated banks.

Hedging transactions are carried out for bond positions, issues and retail business and can be taken into account in hedge accounting. Layer hedges for fixed-interest loan portfolios and cash flow hedges for index-linked loan portfolios may be used. The replicated deposit business can be hedged as well. Micro hedges for securities positions, issues and individual loans may also be used.

The interest rate risk in the banking book is reported monthly within the ALCO, quarterly within the scope of the risk-bearing capacity calculation and semi-annually within the scope of stress testing. Additionally, abbreviated operational reporting is prepared for Treasury in the middle of the month, for the purpose of identifying any changes in the risk level early.

Liquidity risk

CRR Art 435(1) as well as CRR Art 451a, EU LIQA, EU LIQ1, EU LIQB

The most important source of funding of VBW consists of highly diversified customer deposits, which have proven to be a stable source of funding. Obviously, this is responsible for the major part of liquidity risk. The stability of customer deposits has become apparent among others during the COVID pandemic in 2020/2021 and in the following period, namely in the period of quick interest rate hikes. At that time, reallocations from demand/savings deposits to time deposits and Retail issues were seen with only moderate net outflows overall. These started to be recovered from mid-2023, causing a further increase in the overall portfolio of customer deposits (incl. Retail issues) in 2024.

The capital market offers opportunities for refinancing through securities issues, mainly covered bonds, to VBW, as CO of the Association. The dependence of the Association of Volksbanks on capital market funding remains low, below 15 % of total assets. VBW is the only institution within the Association that has access to the ECB/OeNB and can therefore also refinance itself through central bank funds. Following the full repayment of the last TLTRO III tranche (euro 600 million) in mid-2024, there is no ECB funding any longer.

As a result of the Retail business model of the Association of Volksbanks with many small-volume giro/savings deposits from private customers and SMEs, the funding of VBW is highly diversified, and the concentration risk on the liabilities side is not material. The diversification of funding sources is taken into account on a current basis in the liquidity and funding strategy, which is prepared annually in the course of business planning and updated as required during the year. Risk clusters may occur at customer level. Accordingly, the largest deposits at customer level are monitored both in Risk Control and within operational liquidity management. Generally, they amount to less than 1 % of total assets. There are only a few temporary exceptions with a few major accounts for implementing payment transactions or balancing liquidity peaks. These deposits are regularly monitored and reported on in the ALCO.

On the capital market side, there are hardly any dependencies on institutional customers or professional market participants. VBW only selectively participates in the interbank market. Treasury's issuance planning aims to spread the maturities of the few large-volume capital market issues.

At VBW, the Market and Liquidity Risk Control department is responsible for liquidity risk control throughout the Association. In organisational terms, the department is assigned to the Risk Control division with a direct reporting line to the responsible divisional board member (CRO). The responsibilities of the department are defined in General Instructions and working instructions for liquidity risk and are demarcated from the responsibilities of Treasury in VBW and the affiliated banks. The tasks of liquidity risk control are largely bundled in the department.

The Market and Liquidity Risk Control department is responsible for identifying, modelling, measuring, limiting, and monitoring as well as reporting all material liquidity risks and for the associated data management throughout the Association. In this function, Liquidity Risk Control is responsible for defining, reconciling, implementing, monitoring and reporting the RAS indicators relevant to liquidity risk. Liquidity Risk Control is also responsible for the design, parameterisation, calculation and reporting of liquidity stress test requirements. Moreover, the department is responsible for determining the method for defining and designing the components of the internal liquidity buffer. Another key function is the ongoing preparation of liquidity reports (e.g. LCR, NSFR, ALMM, weekly liquidity report to ECB) for VBW and for the Association to meet regulatory reporting requirements. The department regularly prepares liquidity risk reports for the affiliated banks and makes them available to the local banks.

The department Liquidity Management/Association in the Treasury division of VBW is responsible for operational liquidity management. The department is the central unit within the Association of Volksbanks for the management of liquidity, the pricing of liquidity (transfer pricing), the central management of collaterals throughout the Association, the disposition of available liquid funds, and the implementation of the medium- to long-term funding strategy. The Capital Markets department is responsible for carrying out capital market issues, for issuance planning and underlying stock management.

Liquidity management in the Association of Volksbanks is highly centralised. VBW, as CO of the Association of Volksbanks, has far-reaching management and control rights for the entire Association of Volksbanks. These include central funding/liquidity management and liquidity risk management, including the right to issue both general and individual instructions to the affiliated credit institutions. Consequently, VBW is responsible for liquidity management throughout the Association and for liquidity balancing within the Association. The affiliated banks cover their refinancing needs via VBW, investing their surplus liquidity. The affiliated banks are required to maintain liquidity reserves at VBW to the extent defined by law. There is no horizontal liquidity equalisation between the affiliated banks. VBW is the only institution within the Association that has access to the money and capital markets as well as to central bank funds.

In order to take account of the high degree of centralisation in liquidity risk, VBW has defined a centralised ILAAP (Internal Liquidity Adequacy Assessment Process) at Association level that focuses on illiquidity and/or insolvency risk. The ILAAP is defined as the totality of all internal procedures, methods and processes to ensure adequate liquidity within the Association of Volksbanks at present and in the future – even under stressed conditions – and to meet all supervisory and regulatory requirements for liquidity risk. The ILAAP focuses on illiquidity and/or insolvency risk, which is defined as the risk that the Association, VBW or an affiliated bank is no longer able to fully perform its payment obligations. In particular, the ILAAP comprises the definition of strategies (liquidity and funding strategy as well as liquidity risk strategy), liquidity/funding planning, liquidity cost allocation, operational liquidity management, liquidity buffer management, emergency liquidity management, and liquidity risk control. In accordance with the central nature of the ILAAP, these activities are performed centrally at VBW and affect the entire Association.

The risk reporting and measurement system takes into account the high degree of centralisation of the Association of Volksbanks and focuses primarily on the liquidity risk position of the Association and secondarily on that of VBW. The focus is on the indicators defined in the Risk Appetite Statement (RAS). These include the LCR, the NSFR, the survival period, and asset encumbrance. In addition to the LCR, the survival period aims to quantify illiquidity risk. To derive the survival period, selected liquidity risk stress scenarios defined for the entire Association are calculated on a monthly basis.

The Market and Liquidity Risk Control department prepares a monthly liquidity risk report for the Managing Board, which is presented and discussed in the monthly ALCO of the Association. Key contents are the liquidity balance sheet, the RAS indicators mentioned above, liquidity buffer presentation, liquidity and LCR forecast over a 12-month time horizon, the top 15 depositors. The RAS indicators are additionally reported to the Managing Board as part of the aggregate bank risk

report. In addition, a limit monitoring report (e.g. LCR) and a liquidity buffer presentation are prepared for the weekly Li-JF with Treasury.

The funding risk throughout the Association is defined as the risk of an unexpected creditworthiness-related increase of refinancing costs for customer deposits and capital market funding. It is derived from historical changes of credit spreads and quantified for the funding requirement over a certain future period (for instance, 12 months). The funding risk has an impact on the bank's profit and loss position in the form of higher interest expenses in the future, and hence on the profit and loss position of the bank. Therefore monitoring and control takes place within the scope of the Internal Capital Adequacy Assessment Process ("ICAAP"). At the level of the Association, the calculation is performed quarterly as part of the ICAAP risk-bearing capacity calculation (economic ICAAP perspective) and semi-annually as part of the internal overall bank stress testing (normative ICAAP perspective). The results are reported to the Risk Committee. The responsibility for determining the methods of approaching and modelling this risk lies with the Market and Liquidity Risk Control department.

The LCR and AMM are reported externally to the supervisory authority on a monthly basis, and the NSFR and asset encumbrance are reported on a quarterly basis, in each case for the Association and for VBW (solo and Group). In addition, a weekly liquidity report is prepared for the Association and submitted to the competent supervisory authority (ECB). Additional extensive information is regularly provided to the competent supervisory authority (ECB) as part of the annual Li-SREP and ad hoc upon request.

The management of liquidity risk within the Association of Volksbanks is based on Section 30a of the Austrian Banking Act and Article 10 of the CRR, the Association Agreement and the cooperation agreement. The Association of Volksbanks is characterised by a strong cohesion of closely linked members. VBW forms a joint liability system with the other members of the Association. This obliges the banks of the Association to jointly support distressed members. The general conditions for managing the liquidity position of the Association of Volksbanks and of VBW are specified by the Asset Liability Committee (ALCO). The ALCO is conducted on a monthly basis and is the central body for liquidity risk management. Reporting within the ALCO is taken care of by the Market and Liquidity Risk Control department in the sphere of risk, and by the department Liquidity Management/Association in Treasury. In addition to the ALCO, the monthly Risk Committee, the weekly liquidity jour fixe and (restricted to liquidity emergencies) the liquidity emergency committee of the Association are also relevant for liquidity risk management.

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

The liquidity position for VBW is managed within the framework of limits that are approved by the Managing Board of VBW and defined and monitored by Liquidity Risk Control. The addressee of the limits is the department Liquidity Management/Association. The limits for illiquidity risk are defined as strategic RAS indicators. These include in particular the LCR and the NSFR. Limit utilisation is monitored and reported by Liquidity Risk Control on a monthly basis.

Illiquidity risk is managed by holding a sufficient liquidity buffer. VBW is responsible for the central management of the liquidity buffer for the whole of the Association of Volksbanks. The liquidity buffer mainly consists of highly liquid bonds that are LCR-eligible for the major part, of deposits with the national bank, of ECB tender potential, and covered bond issue potential. The market liquidity of the liquidity buffer is tested regularly. The responsibility for determining the methods for

defining and designing the liquidity buffer components lies with the Market and Liquidity Risk Control department; continuous control of the liquidity buffer is the responsibility of the Liquidity Management department.

The liquidity contingency plan defines the processes and responsibilities in the event of a liquidity emergency and defines the measures that can be implemented in a liquidity emergency to overcome the liquidity crisis. In addition, a set of emergency early warning indicators has been defined for VBW that is monitored and reported on daily by the Liquidity Management function of VBW. The liquidity early warning and emergency measures are differentiated into measures with liquidity gains and measures designed to prevent further outflows. The measures are regularly evaluated in terms of liquidity potential and likelihood of implementation. In addition, a liquidity emergency test is carried out annually, assuming a stress scenario. Liquidity costs and liquidity risk costs are settled within the Association between the units consuming liquidity and the units providing liquidity, on the basis of the liquidity cost curves for the entire Association. The Liquidity Management department is responsible for defining the relevant methods.

Liquidity risk stress testing is part of the RAS set of indicators in the form of the survival period. The survival period is the period during which, under a defined stress scenario, the liquidity buffer held is sufficient to cover cumulated net liquidity outflows. Stress scenarios of varying degrees of severity are calculated. The scenario assumptions include an idiosyncratic crisis of the Volksbank sector, a national banking crisis as well as pan-European stressed market conditions. The least favourable of the scenarios calculated is applied to limiting the survival period. For the Association of Volksbanks, consisting of individual retail banks (VBW, among others), this is typically the idiosyncratic Volksbank crisis assuming a “bank run”. This occurs when, due to a loss of confidence, customers withdraw large deposit volumes within a short period of time and at the same time alternative funding sources are not accessible to the Association (any more).

The survival period is defined as a RAS indicator at Association level and limited accordingly, with a trigger value of 60 days and a limit of 45 days. Compliance with the survival period limit is monitored on an ongoing basis by Liquidity Risk Control within VBW and reported to the Managing Board on a monthly basis in the ALCO and the Risk Committee. Adverse changes in the survival period will trigger internal risk analysis processes and, if necessary, risk management measures by Treasury. In case of trigger/limit violations of the survival period, the RAS escalation process applies. The number of stress scenarios calculated and the underlying scenario assumptions are reviewed annually for appropriateness by Liquidity Risk Control in conjunction with Treasury and the validation unit and adjusted if necessary. Findings from the liquidity risk early warning/emergency system are taken into account on an ongoing basis. In addition, the validation unit regularly reviews the liquidity risk stress testing in the context of model risk, performs independent analyses and defines further optimisation measures as required, which are summarised in validation reports.

As part of the annual Li-SREP (Supervisory Review and Evaluation Process), the Managing Board of VBW submits the “Liquidity Adequacy Statement” (LAS) to the supervisory authority (ECB), which contains statements on the adequacy of liquidity risk management, the implementation of the ILAAP and the liquidity situation within the Association of Volksbanks. The current LAS assesses the liquidity risk management as solid and robust and the liquidity position of the Association of Volksbanks as adequate. This applies analogously to VBW. The comfortable liquidity situation is reflected in the corresponding indicators. As at 31 December 2024, the liquidity buffer across the Association amounted to approximately euro 9.2 billion. The liquidity buffer eligible for the LCR (High Quality Liquid Assets) amounted to around euro 6.4 billion as at 31 December 2024. The LCR was around 201 %, the NSFR around 192 %. Hence, both indicators by far exceeded the regulatory and internal limits.

Operational risk

CRR Art 435(1) and Art 446, EU ORA

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

Organisation

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

Methods for the management of operational risks

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

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

The following principles, derived from the risk strategy, apply in OpRisk Management:

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

Internal control system

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

2.3 Information on corporate governance arrangements

CRR Art 435(2) a)

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

As at 31 December 2024, the Managing Board of VOLKSBANK WIEN AG consisted of three members. The members of the Managing Board held the following number of management and supervisory positions as at 31 December 2024.

Managing Board members	Number of mandates total*	Number of mandates privileged**
Gerald Fleischmann		
Management functions	3	1
Supervisory functions	5	2
Rainer Borns		
Management functions	2	1
Supervisory functions	8	2
Thomas Uher		
Management functions	3	1
Supervisory functions	3	1

As at 31 December 2024, the Supervisory Board of VOLKSBANK WIEN AG consisted of twelve capital representatives. The members of the Supervisory Board held the following number of management and supervisory positions as at 31 December 2024.

Supervisory Board members	Number of mandates total*	Number of mandates privileged**
Wilfried Aichinger		
Management functions	2	0
Supervisory functions	2	1
Susanne Althaler		
Management functions	0	0

Supervisory functions	3	3
Harald Berger		
Management functions	0	0
Supervisory functions	2	1
Johann Bruckner		
Management functions	0	0
Supervisory functions	2	1
Birte Burtscher		
Management functions	0	0
Supervisory functions	1	1
Heribert Donnerbauer		
Management functions	3	1
Supervisory functions	3	1
Helmut Hegen		
Management functions	1	1
Supervisory functions	1	1
Christoph Herzeg		
Management functions	1	1
Supervisory functions	2	2
Robert Oelinger		
Management functions	0	0
Supervisory functions	3	1
Regina Ovesny-Straka		
Management functions	0	0
Supervisory functions	6	4
Martina Rittmann-Müller		
Management functions	4	1
Supervisory functions	2	1
Walter Übelacker		
Management functions	1	1
Supervisory functions	3	1

* incl. mandates in group companies, qualified participations and entities not pursuing any economic goals

** excl. mandates in entities not pursuing any economic goals; applying the group/participation privilege as well as the privilege for representatives of the Republic of Austria

As at 31 December 2024, six members were delegated by the works council to the Supervisory Board of VOLKSBANK WIEN AG. These members – except for one person who holds another supervisory function in a company that does not predominantly pursue commercial goals – do not exercise any other supervisory or management functions in the company in addition to this supervisory function.

Furthermore, as at 31 December 2024, the following persons in the credit institution group of VOLKSBANK WIEN AG exercised management and/or supervisory functions.

CI group	Number of mandates total*	Number of mandates privileged**
Günter Alland		
Management functions	4	1
Supervisory functions	0	0
Tanja Bamberger		
Management functions	1	1
Supervisory functions	0	0
Monika Nadizar-Fritz		
Management functions	1	1
Supervisory functions	0	0
Markus Partl		
Management functions	3	1
Supervisory functions	0	0
Kurt Rossmüller		
Management functions	1	1
Supervisory functions	0	0
Martin Scheibenreif		
Management functions	4	1
Supervisory functions	1	0
Harald Waibel		
Management functions	1	0
Supervisory functions	0	0
Horst Weichselbaumer-Lenck		
Management functions	1	0
Supervisory functions	1	1
Management functions	1	0

* incl. mandates in group companies, qualified participations and entities not pursuing any economic goals

** excl. mandates in entities not pursuing any economic goals; applying the group/participation privilege as well as the privilege for representatives of the Republic of Austria

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

CRR Art 435(2) (b) and (c)

The principles and processes for selecting members of the management body and the strategic succession planning to ensure the relevant knowledge and skills required for this are defined by the Supervisory Board (here Nomination

Committee) (search and selection process for Supervisory Board and Managing Board members) – taking account of Fit & Proper criteria.

The business strategy, the corresponding Fit & Proper Policy and the definition of the tasks of the Nomination Committee constitute the basis for the selection, for strategic succession planning, and for the suitability assessment of the members of the management bodies and are in line with the professional values and long-term interests of the Association of Volksbanks.

In addition to Fit & Proper criteria, the decisive selection criterion is an understanding of how to take into account the interests and the strategy of the credit institution group and the Association of Volksbanks, simultaneously ensuring the highest possible efficiency in performing the duties of the management body. In addition to professional competence, the selection of persons is also based on the fulfilment of the personal qualifications required.

The “Guidelines on the assessment of the suitability of members of the management body and key function holders” (EBA/GL/2021/06, “Fit & Proper Guidelines”) define uniform minimum requirements for the assessment of the personal reliability, professional suitability and experience of persons in management and control functions, including their suitability as a body, in credit institutions throughout Europe. Pursuant to Section 69 (5) of the Austrian Banking Act and Article 16 (3) of the EBA Regulation, every Austrian credit institution must comply with the guidelines issued by the EBA, taking into account the type, scope and complexity of the transactions as well as the risk structure, hence also taking account of the Fit & Proper Guidelines. This obligation is met by the “Fit & Proper Policies” coordinated across the Association, in particular the obligation to implement internal guidelines for the selection, assessment and safeguarding of the suitability of managing directors/board members, supervisory board members and key function holders.

In these policies, criteria for the assessment of suitability were defined and the required documents and the (succession) process to ensure individual and collective suitability as well as ad hoc re-evaluation were documented.

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

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

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

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

requirements) which would be likely to influence the suitability of individual or several members of the Managing Board or Supervisory Board. The Managing Board and the Supervisory Board must ensure this kind of suitability.

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

VOLKSBANK WIEN AG has set itself the strategic goal, pursued for substantial reasons, to generally qualify women for management positions, thus increasing the share of women in all management positions, also within the Managing Board.

This increase is supported by implementing strategic gender equality management. The measures, processes and programmes required in this respect were set down and published in the binding diversity policy of VOLKSBANK WIEN AG.

Moreover, according to the working instruction on implementing the General Instruction “Managers”, care must be taken within VOLKSBANK WIEN AG to also nominate female candidates in the course of the appointment procedure for Managing Board positions under all circumstances. These measures provide the basis for a succession process where vacant management positions (including on the Managing Board) can be filled with both internal and external female candidates.

The success of these measures is measurable. Compared to the previous year, the proportion of female executives (including Managing Board positions) at VOLKSBANK WIEN AG increased by 8.1 %, and by 2.2 % within the Group.

VOLKSBANK WIEN AG is convinced that, through these long-term measures, we will achieve our qualitative diversity goal.

The diversity goal of VOLKSBANK WIEN AG clearly exceeds the definition of a quota or any merely punctual measure such as a quota for female Managing Board members: the primary diversity goal of VOLKSBANK WIEN AG is the consistent pursuit of strategic gender equality management.

The quota to be defined under Section 39 Austrian Banking Act no. 4 may be defined in accordance with the policy (also in the dual system) as a common objective for the Supervisory Board and the Managing Board. This quantitative goal amounts to 25 % and is achieved.

The measures taken are being evaluated continuously and adjusted or intensified as required.

Information on the risk committee

CRR Art 435(2) d)

VOLKSBANK WIEN AG has formed a risk committee in accordance with Section 39d of the Austrian Banking Act, which is referred to as the Working and Risk Committee. In the 2024 financial year, the Working and Risk Committee met on four occasions.

Information flow to the management body

CRR Art 435(2) e)

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

Prompt, regular and comprehensive risk reporting is implemented at VBW in the form of the aggregate bank risk report, among other things. The aggregate bank risk report provides a summary of the situation and development of the RAS indicators, the utilisation of risk-bearing capacity, addressing all material risks (credit, interest rate, liquidity, counterparty default, operational and credit spread risks as well as market risk in the trading book) and containing extensive qualitative and quantitative information (e.g. rating coverage, data quality). The aggregate bank risk report provides the Managing

Board with management-related information on a monthly basis and is reported to the Supervisory Board of VBW quarterly. In addition to the aggregate bank risk report, various risk-specific reports (e.g. analyses within credit risk regarding the development of individual sub-portfolios) complement the reporting framework.

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

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

3 Remuneration

3.1 Governance of the remuneration policy

CRR Art 450 (1) (a), EU REMA (a), (b)

Under Art 10 of the CRR, Section 30a of the Austrian Banking Act and under the Association Agreement, VOLKSBANK WIEN AG as the central organisation (CO) of the Association of Volksbanks is obliged to issue a General Instruction on remuneration policy for the entire Association of Volksbanks. As CO of the Association of Volksbanks, VBW is responsible for compliance with the remuneration principles set down in the annex to Section 39b Austrian Banking Act within the entire credit institution group. The remuneration policy of the Association of Volksbanks is in line with the business and risk strategy as well as the general risk management mechanisms, and it supports the long-term interests of the Association of Volksbanks.

Preparation, implementation and monitoring of the remuneration policy

The preparation as well as the continuous maintenance, updating and development of the General Instruction (GI) and of the Association's working instruction on remuneration policy are the responsibility of the HR Management function of the CO, in consultation with the CO Managing Board. The relevant decisions are made by the Remuneration Committee of VOLKSBANK WIEN AG. The remuneration policy is checked by the CO HR Management function for up-to-dateness at least once a year and revised accordingly. This review includes making sure that the remuneration policy is gender-neutral. In 2024, the remuneration policy was reviewed and supplemented by reinforcing the involvement of Compliance in the remuneration process, as well as harmonising the remuneration structure of managing board members within the Association of Volksbanks.

The corresponding internal functions – i.e. HR Management, Compliance, Risk Control, and Finance – as well as the Supervisory Board and/or the Remuneration Committee, as well as the Working and Risk Committee are closely involved in the review of the remuneration policy, including identification of the key risk takers pursuant to Section 39b Austrian Banking Act and granting employee profit participation. This is meant to ensure that the remuneration policy is geared to the business and sustainability strategy and that it supports the risk management framework of the affiliated banks.

Under the working instruction of the Association (Association WI) on remuneration policy, the GI must be implemented in all affiliated banks. The Association WI serves as a “transparency document” ensuring implementation in line with the Instruction in the respective affiliated banks. The directives of the General Instruction and of the Association WI shall be considered as minimum requirements. The local Managing Board as well as the Remuneration Committee or the Supervisory Board of the respective affiliated bank must accept the Association WI.

Scope of the remuneration policy

VOLKSBANK WIEN AG is also responsible for compliance with the remuneration principles set down in the annex to Section 39b Austrian Banking Act by the other companies and subsidiaries included in the scope of consolidation. Hence, VOLKSBANK WIEN AG must ensure that even group companies that are no credit institutions themselves are integrated in risk control activities under Section 39b Austrian Banking Act, and that remuneration policies and practices exist in these companies that comply with the annex to Section 39b Austrian Banking Act and with the remuneration policy of the Association of Volksbanks based thereon.

Due to group consolidation, the following subsidiaries of the VBW credit institution group are affected by the remuneration policy:

- VOLKSBANK WIEN AG
- VB Services für Banken Ges.m.b.H.
- VB Infrastruktur und Immobilien GmbH
- 3V-Immobilien Errichtungs-GmbH
- VOBA Vermietungs- und Verpachtungsgesellschaft m.b.H.
- VB Verbund-Beteiligung Region Wien eG in liqu.

Supervisory Board committees that deal with remuneration policy

Remuneration Committee

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

The Remuneration Committee consists of Supervisory Board members as well as works council representatives. Christoph Herzeg acts as remuneration expert. The main tasks of the Remuneration Committee include the approval, monitoring and implementation of the remuneration policy, the remuneration practices, as well as of the remuneration-related incentive structures. These tasks relate to the control, monitoring and limitation of risks under Section 39 (2b) (1) to (10) Austrian Banking Act, of available own funds and liquidity. Moreover, the long-term interests of shareholders, investors and employees of the entire Association of Volksbanks must be taken into account. The Remuneration Committee is authorised to take decisions within its allocated sphere of competence.

In 2024, the Remuneration Committee met on two occasions. In these meetings, the committee dealt with the following topics: the remuneration policy and practices, the granting and disbursement of employee profit shares, identifying the risk takers under Section 39 b of the Austrian Banking Act, the increased involvement of the Compliance department in the remuneration process, as well as the harmonisation of the remuneration structure for managing board members within the Association of Volksbanks.

Working and Risk Committee

Annual reporting takes place in the Working and Risk Committee of VOLKSBANK WIEN AG about the remuneration system of the Association of Volksbanks. The Committee is also involved in reviewing remuneration policy, identifying risk takers and granting and disbursement of the employee profit participation. In 2024, the Working and Risk Committee discussed the remuneration policy on two occasions.

Role of control functions

The control units of VOLKSBANK WIEN AG (Compliance, Risk Control, and Internal Audit) act as 2nd and 3rd line of defence for VOLKSBANK WIEN AG and the respective affiliated bank of the Association of Volksbanks. They are actively and regularly working together and cooperating with other functions and committees to develop the remuneration policy and practices.

As 2nd line of defence, **Compliance** regularly checks the remuneration policy and practices of the Association of Volksbanks. They perform internal controls of remuneration practices, validating internal reports regarding remuneration claims of employees with board functions, they identify the risk takers under Section 39b Austrian Banking Act, they perform the

annual review of the remuneration policy and the introduction or update of the bonus model. This way of procedure guarantees that remuneration policies and laws are fully complied with. The Compliance function regularly checks if the remuneration practices live up to ethical standards and corporate values, to ensure the integrity and effectiveness of the remuneration policy. Compliance reports quarterly in the Managing Board meeting, in the Audit Committee and in the Supervisory Board, with one essential topic being the review of the remuneration policy.

As part of the 2nd line of defence, **risk management**, which is assumed by the Risk Control unit of VOLKSBANK WIEN AG as CO within the Association of Volksbanks, is always integrated in the definition of the remuneration policy, the bonus model and in the assessment process for identifying risk takers of the respective affiliated bank, and it is adequately involved in designing and monitoring the remuneration systems.

Internal Audit, as 3rd line of defence, carries out an independent review of the design, implementation and effects of the remuneration policy of the Association of Volksbanks once a year. It reports on the results relating to the remuneration policy of the Association of Volksbanks in the Remuneration Committee annually.

Identification of risk takers under Section 39b Austrian Banking Act

The categories of employees whose professional activities have a significant impact on the risk profile of VOLKSBANK WIEN AG (key risk takers) comply with the requirements of EBA/RTS/2020/05. The identification of key risk takers follows a structured and formalised assessment process at both Association and affiliated bank level on the basis of the guidelines laid down by the CO, involving the Risk Control and Compliance functions, in order to guarantee a common standardised approach at Association level.

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

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

Based on the *qualitative criteria*, the following key risk takers are identified:

- 1) Supervisory Board members;
- 2) Managing Board members / managers;
- 3) Senior management (Managing Board – level 1);
- 4) Senior employees in Sales (Managing Board – level 1) who report directly to the Managing Board;
- 5) Senior employees in control functions, including senior positions in Compliance and Risk Control as part of the second line of defence, and Internal Audit as part of the third line of defence;
- 6) Voting members of the Risk Committee, Asset Liability Committee (ALCO), Credit Committee;
- 7) Employees who manage a division that is responsible for legal matters, finance incl. taxes and budgeting, human resources, remuneration policy, information technology, economic analysis, money laundering and the financing of terrorism, accounting, information security, and outsourcing;

- 8) Senior employees authorised to decide on, to approve or prohibit any relevant risk, or who are voting members of a committee authorised to take the aforementioned decisions;
- 9) Senior employees authorised to decide on the approval or rejection of the launch of new products.

The criteria for identifying risk takers cover all types of risk that are part of the risk strategy. The risk profile and risk limits of the major divisions with an RWA utilisation of more than 2 % of risk-weighted assets as well as their control, determination and monitoring are also taken into account as criteria for identifying the risk takers.

The most important criterion for identifying the employees in qualitative terms is not the job title, but the authorities and responsibilities associated with the function.

Based on the *quantitative criteria*, the following employees are identified:

- a) Employees whose remuneration amounted to at least euro 500,000 and corresponded to at least the average remuneration of the members of the Supervisory Board (excl. works council members participating without remuneration), of the Managing Board and of the senior management of the institution;
- b) Employees whose remuneration amounted to at least euro 750,000 in the previous financial year (including the employees explicitly mentioned in item a));
- c) Employees counting among the 0.3 % of employees who received the highest amount of total remuneration in the previous or current financial year.

At the reporting date of 31 December 2024, a total of 71 key risk takers under Section 39b Austrian Banking Act were identified at VOLKSBANK WIEN AG – three of which based on quantitative criteria. Key risk takers represent 5.5 % of all employees and were determined on the basis of qualitative as well as quantitative criteria.

The key risk takers are coordinated with the Working and Risk Committee and resolved upon by the Remuneration Committee of VOLKSBANK WIEN AG.

3.2 Structure and design of the remuneration system

CRR Art 450 (1) (c) to (f), EU REMA (b) to (g)

Reasonable and sustainable remuneration policy

The remuneration policy of VOLKSBANK WIEN AG provides for reasonable, market-compliant, sustainable and gender-neutral remuneration. The remuneration policy does not create any incentives to take on excessively high risks, including sustainability risks.

A guiding principle of the VOLKSBANK WIEN AG remuneration system is that the total remuneration is market-compliant with reference to the external market (competitors in the banking and financial services sector on the Austrian labour market). Criteria for assessing market conformity are the function, professional and personal qualifications, (relevant) experience and also the results of internal comparisons in salary studies. Based on these criteria, internal methodologies have been developed to determine internal salary ranges.

Remuneration is governed by collective agreements, employer/works council agreements and/or individual agreements.

Fixed remuneration

The fixed remuneration within the Association of Volksbanks meets the following prerequisites:

- a) Set in advance;
- b) Non-discretionary (reflecting the extent of the employee's professional experience and length of service, and not subject to anybody's discretion);
- c) Transparent;
- d) Permanent over a period for the specific function and responsibility;
- e) Not revocable, except through collective bargaining or renegotiation in line with national salary adjustment criteria;
- f) Payments cannot be reduced, suspended or cancelled unilaterally by the bank;
- g) No incentive for assumption of risks;
- h) Not performance-related.

The fixed remuneration mainly reflects the person's relevant professional experience, actually performed activities and the organisational responsibility within VOLKSBANK WIEN AG. Basically, the following components are classified as fixed remuneration: gross total amount of all payments or benefits (incl. non-cash benefits) the disbursement of which does not depend on any performance within the Association of Volksbanks or on the economic result (e.g. additional voluntary social benefits such as anniversary bonuses, insurance contributions within the scope of company pension schemes, severance payments under the old or new system).

Variable remuneration

Within the Association of Volksbanks variable remuneration is limited to the models defined in the remuneration policy. The following special remuneration components are classified as variable remuneration and are not permitted in the Association of Volksbanks as a matter of principle:

- Allowances that do not meet the criteria for fixed remuneration (e.g. performance-related allowances);
- Variable remuneration based on future performance;
- Guaranteed variable remuneration ("welcome bonus", "sign on bonus", "minimum bonus", etc.);
- Voluntary performance-based retirement benefits;
- Compensation or severance payments for prior employment;
- Retention bonuses.

The total pool of variable remuneration must not restrict the ability of the Association of Volksbanks or of the respective affiliated bank to improve its own funds base. A circumvention ban applies to all employees. Insurances and hedging strategies are not admissible for the purpose of compensating variable remuneration payments.

Within the association of credit institutions, salary components such as allowances, fringe benefits, contributions to pension schemes and the like are designed in such a way that they basically meet the criteria of fixed remuneration.

Proportion between fixed and variable remuneration

The variable remuneration component should not be too high, thus providing an incentive for reckless risk-taking. The variable remuneration is limited to a maximum of 100 % of the fixed remuneration (ratio 1:1). Any increase to a maximum of 200 % of the fixed part is only admissible by resolution of the general meeting.

Remuneration in the form of instruments

Pursuant to the annex to Section 39b (11) Austrian Banking Act, a significant part amounting to at least 50 % of variable remuneration components consists in a reasonable proportion of equities or equivalent participations, share-linked instruments or equivalent non-cash means of payment, or capital instruments. As no instruments are available within the Association of Volksbanks, number 11 is not applicable.

Deferment of variable remuneration

Under number 13 (a), affiliated banks with total assets amounting to less than euro 15 billion (average of the last 4 years) are exempt from deferring the variable remuneration. According to number 13 (b), regardless of the size of the institution, variable remuneration components of all employees, the amount of which does not exceed euro 50,000 and does not account for more than a third of the total annual remuneration of the respective employee need not be deferred. Therefore, no variable remuneration components are deferred within the Association of Volksbanks.

Ex-post risk adjustment

'Malus' and clawback are used for ex-post risk adjustment. These are explicit mechanisms for subsequent risk adjustment, where the affiliated bank itself adjusts the remuneration of the relevant employee on the basis of said mechanisms. Part or all of the deferred variable remuneration is forfeited in a malus case. Catching up is not permitted for the annual portions omitted. Clawback is used to reclaim any variable remuneration that has already been paid out. The following cases may constitute a clawback event:

- any significant contribution to the poor financial situation,
- wilful or grossly negligent breaches of duty of care,
- fraud,
- violations of statutory provisions or regulatory requirements to protect customers' interests, if determined by the regulatory authorities or by a court.

Ex-post risk adjustments are performance- or risk-based.

Severance payments

Uniform legal rules apply to all employees, including Managing Board members and all other identified employees. Voluntary severance payments are only permitted in connection with restructuring operations. The severance payments must not be higher than the opportunity costs that would arise in connection with or as an alternative to the premature termination of contracts and are limited to a maximum of two years of gross salary. Opportunity costs must be estimated within the scope of a business case, taking into account the alternative costs such as salary costs, ancillary wage costs, court and litigation costs, legal fees, etc., and must be documented in a verifiable manner.

Early retirement scheme

Employees are not entitled to any early retirement scheme. Within the framework of statutory partial retirement, working hours can be continuously reduced by 40 % to 60 %. Compensation is paid in the amount of 50 % of the difference if working hours are reduced by 40 %. In exceptional cases, a block model may be agreed. Access to partial retirement is possible at the earliest five years before reaching the standard retirement age.

Remuneration of specific functions

Remuneration of supervisory board members

The supervisory board members exclusively receive fixed remuneration. Incentive mechanisms based on the performance of the respective Volksbank are excluded. Under Section 98 Austrian Stock Corporation Act, the general meeting approves the remuneration of supervisory board members. The remuneration must correspond to the economic situation of the company. The adequacy of the remuneration of supervisory board members within the scope of adjusting the remuneration is checked by Compliance and HR Management of VBW as CO.

Remuneration of managing board members

Managing board members receive fixed remuneration that is stable and independent of the risk appetite of the banks of the Association. Success or performance-related components do not currently form part of the remuneration policy for managing board members. Fixed remuneration includes in particular the basic salary and other additional and fringe benefits.

Basic salary

The amount of the basic salary of the managing board members is determined on an extended basis using criteria defined in the General Instruction for all employees:

- a) **personal criteria**, such as professional and personal qualifications, as well as relevant/applicable experience,
- b) **function-related criteria**, such as the role of the managing board member, internal comparisons with similar positions within the bank, salary studies within the industry, and the complexity of the corporate structure and size of the company.

Discussions regarding the personal criteria and the determination of the proposal for the remuneration of the managing board member are documented on an audit-proof and detailed basis in the respective affiliated bank and by the responsible supervisory board committee and recorded in the minutes of the responsible supervisory board committee. Adjustments to the basic salary are evaluated and are implemented if applicable within the scope of contract extensions.

Additional and fringe benefits

a) Retirement benefits:

Managing board members receive retirement benefits through a statutory employee pension fund and a defined contribution pension plan via the BONUS pension fund. The company covers the contributions in full. The regulations are based on specifications from collective bargaining agreements and are also relevant for managing board activities. The contributions form part of the fixed remuneration and are based on standard market benchmarks.

b) Supplementary insurance:

Managing board members can receive supplementary insurance (health, casualty, life insurance) that covers personal risks. The company covers the costs of these in full.

c) Benefits in kind:

All managing board members are entitled to a company car with a parking space and this car may be used for private purposes without any restrictions.

The supervisory board, through its staff committee, is responsible for structuring the remuneration systems of the managing board members and must ensure that this is commensurate with the tasks and responsibilities of the managing board, and with the economic situation of VOLKSBANK WIEN AG. External comparisons are used to assess the appropriateness and market-conformity of the remuneration of managing board members. The managing board members are excluded from disbursements under the employee profit-sharing scheme.

Remuneration of identified employees

All identified employees receive a fixed remuneration that reflects their professional experience and organisational responsibility. In 2024, an employee profit share was paid out to them, as to all other employees, by full-time equivalent. The members of the supervisory board and of the managing board of the respective credit institutions are excluded from this.

Remuneration of control functions

Employees holding control functions are independent of the business units they control, have sufficient authority and are remunerated irrespective of the performance of the business units they control. The adequacy of the annual remuneration of senior management in Risk Control, Compliance and Internal Audit is reviewed annually by the Remuneration Committee of VOLKSBANK WIEN AG. Senior management in Risk Control, Compliance and Internal Audit of VOLKSBANK WIEN AG assumes the relevant function at the Volksbanks as well. In 2024, the employee profit share for employees holding control functions was paid out according to their full-time equivalent.

Remuneration of sales and lending staff

No incentives were created (either monetary and/or non-monetary forms of remuneration) that lead to a situation where the sales representatives put their own interests or the interests of the respective Volksbank above those of consumers. No individual or performance-related variable remuneration is paid to sales and lending staff. In 2024, the employee profit share for employees in sales and lending roles was paid out according to their full-time equivalent.

3.3 Bonus system of the Association of Volksbanks

CRR Art 450(1) (b), (e), (f), EU REMA (a), (c), (e), (f), (g)

The bonus model is based on an employee profit-sharing model and takes account of the cooperative idea, aiming to motivate employees for subsequent periods. It provides for bonus amounts per FTE, which are determined regardless of the salary level of the employees. The bonus model provides for a bonus payment to all employees (=profit sharing). Starting at a certain threshold, employees in Sales are then paid an additional bonus (=“upside Sales”).

The bonus model established hereby is directly coupled to the business results at Association level, tying bonus payments to profitability, risk and return. The bonus pot is defined at the level of the Association and then broken down to the individual affiliated banks based on the FTE share. The companies' individual bonus pots are then adjusted taking account of profit, risk indicators, qualitative criteria, and sustainability indicators.

All targets and thresholds are resolved upon annually in the December Remuneration Committee of VOLKSBANK WIEN AG for the subsequent year. The individual targets of the affiliated banks are defined by resolution in the December meetings of the competent supervisory boards.

The following criteria and prerequisites are applied to the distribution of the Association's bonus pot:

- 1) Capital & liquidity minimum requirements of the Association (Risk Appetite Statement, CET1 capital ratio, Association limit or RAS liquidity coverage ratio limit) are met. K.O. criterion: if the respective Association limit is not reached, no bonus may be paid out in any affiliated bank.
- 2) Allocations must be made to the bonus pot of the Association. K.O. criterion: if the respective threshold (profit target of the Association) is not reached, no bonus may be paid out in any affiliated bank.
- 3) The bonus pot of the Association is distributed on the basis of the FTE of the respective affiliated bank.

The local bonus pot allocated on the basis of the profit target may not entirely or not adequately reflect actual risks, therefore ex-ante risk adjustments must be effected. This ensures that the variable remuneration takes account of the risks assumed. The allocated bonus pot may be adjusted by no more than $\pm 15\%$ per target. Any upward correction is only possible upon approval by the Remuneration Committee of VOLKSBANK WIEN AG, and the total of the corrections [made by] the companies cannot exceed 100 % of the bonus pot originally allocated.

The targets of the respective company include specified risk targets (NPL ratio), customer satisfaction targets (Net Promoter Score) and sustainability targets (reduction in total emissions (corporate carbon footprint) and an increase in the proportion of female executives).

The bonus model does not provide for any remuneration exceeding euro 50,000.00 and/or more than a third of the total annual remuneration of the relevant employee. Therefore, the variable remuneration is not deferred.

The current bonus model of the association of credit institutions (employee profit-sharing scheme) is tied to the overall performance of the company, and not to individual employee targets.

The bonus for 2024 is disbursed according to the resolutions passed in the relevant bodies. The general prerequisite for entitlement to this is active employment on 31 December of the calendar year in question. The entitlement is calculated on a pro rata basis for employees who start at the company during the year. The amount of the bonus is based on the employment level as at 31 December of the year in question and is calculated on a pro rata basis for part-time employees.

3.4 Harmonisation of remuneration, risk culture, and sustainability

CRR Art 450 (1) (b) to (f), EU REMA (c)

The remuneration policy of the Association of Volksbanks and of VOLKSBANK WIEN AG is consistent with sound and effective risk management, supporting the same, and does not encourage risk-taking beyond what has been defined by the central organisation in the risk strategy of the Association.

The criteria for determining the fixed and variable remuneration components are set in such a way that employees will always act in the interest and with a view to the benefit of the Association of Volksbanks and in line with the company's risk culture and risk appetite. The conduct of employees complies with the value system and the Code of Conduct, and they act within the set risk tolerances.

Integration of sustainability in performance management

The remuneration policy is designed to encourage sustainable and risk-conscious corporate governance. In line with regulatory requirements and with the business strategy, sustainability goals (including ESG criteria) are being integrated into performance management of Managing Board members and senior management in the first half of 2025.

Linking of the remuneration policy with sustainability goals

The remuneration policy was adjusted to support the strategic sustainability goals of VOLKSBANK WIEN AG. Sustainability risks are taken into account with this by:

- establishing sustainability goals as an integral part of individual performance assessments for Managing Board members and executives in senior management.
- incorporating ESG criteria and KPIs into the assessment of corporate objectives, which are used as a basis for variable remuneration for employees (i.e. employee profit-sharing scheme, with the exception of Managing Board members).
- using the long-term reduction in climate-related risks and the promotion of sustainable financing strategies as benchmarks for performance expectations.

To support the sustainable orientation and long-term value creation of VOLKSBANK WIEN AG and within the Association of Volksbanks, various social sustainability factors are taken into account. This includes compliance with labour law standards and comprehensive employee protection and health and safety. Reasonable fixed and variable remuneration in line with the sustainable and cooperative business model is just as crucial as fair working conditions, diversity in practice and targeted opportunities for training and further education. Measures aimed at combating inequality and promoting social cohesion also play a part in strengthening social sustainability within the Association.

Accountability for achieving the sustainability goals

Accountability for the sustainability goals is also ensured without variable remuneration through clear control mechanisms, regular reporting and embedding within the strategy. Sustainability goals are an integral part of annual performance assessments for Managing Board members and senior management from 2025 onwards. Achievement of the goals is discussed in employee appraisals and annual financial statements and documented transparently in the Annual Reports. The Supervisory Board monitors this process and regularly requests progress reports, introducing measures as necessary to ensure that goals are achieved.

Public sustainability reports also ensure transparency in relation to stakeholders. Regular communication with investors, customers and other stakeholders ensures that sustainability remains embedded within the strategy. The goals are integrated into the business strategy and business development over the long term and have a significant impact on the bank's reputation and market position. Managing Board members are under an obligation to provide continuous reporting on progress and challenges, which further strengthens establishment of a sustainable corporate culture.

Gender-neutral remuneration policy

The remuneration policy of VOLKSBANK WIEN AG and of the Association of Volksbanks is gender-neutral, establishing the principles of equal pay as well as equal and equivalent work for all employees.

To ensure performance-adequate and gender-neutral remuneration, the Association of Volksbanks has developed and implemented tools like the competence model, internal job profiles and job descriptions. The competence model defines the skills that employees need to have, while internal job profiles are based on objective criteria, defining specific activities, skills and modes of behaviour. Job descriptions offer a comprehensive overview of the positions, regardless of any specific persons.

The structured process of analysing equal pay gaps and gender pay gaps remains a factor with respect to equal treatment and equal opportunities. Every year – as part of the remuneration report for the Supervisory Board and/or Remuneration Committee – differences between the average male and female remuneration are documented and explained and appropriate measures are taken to equalise these differences where necessary. The gender pay gap can still mainly be attributed to the fact that men are disproportionately represented in higher-paid professions and positions, while women are more likely to work in lower-paid jobs. These structural differences have a direct impact on the gender pay gap.

In addition, gender-specific pay gaps are calculated using the median, which allows for a more accurate assessment of typical differences in pay and helps to uncover unequal distribution of women and men in different pay structures.

In addition to continuous analysis and the salary adjustments arising from this, we have implemented further measures within the scope of gender equality management:

- **Increasing the proportion of female executives:** A key objective within our strategy of reducing the gender pay gap is to increase the proportion of women in executive roles. We have been able to increase the representation of women at senior management levels on a sustainable basis through targeted programmes, mentoring and intensified gender recruitment measures. This plays a role in reducing salary differences at the executive levels.
- **Gender recruitment:** We have developed targeted programmes to bring more women into roles that are rated more highly and to increase the representation of women in executive roles.
- **Mentoring programmes:** These programmes provide targeted support to women in their career development and help them overcome obstacles on their way towards leadership roles.
- **Transparent application processes:** We promote equal opportunities in internal and external recruitment by designing a clearly structured and transparent application process.

3.5 Application of exceptions to the remuneration policies: Article 450 paragraph 1 letter k CRR and the CRD criteria

CRR Art 450(1) (k), EU REMA (i)

Referring to the requirements under Article 450 paragraph 1 letter k of the CRR, regarding the disclosure of exceptions under Article 94 paragraph 3 of the CRD, we would like to make clear that VOLKSBANK WIEN AG as well as the Association of Volksbanks do not make use of any such exceptions at consolidated level. Hence, no application of exceptions under Article 94 paragraph 3 letter a or b of the CRD is applicable to either the VBW credit institution group or the Association of Volksbanks.

3.6 Summarised quantitative information on remuneration

CRR Art 450(1) (g) to (i), EU REM1, EU REM2, EU REM3, EU REM4, EU REM5

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

4 Group structure and scope

4.1 Scope

CRR Art 436 (a), (c), (d)

VOLKSBANK WIEN AG (VBW), with its registered office at Dietrichgasse 25, 1030 Vienna, is the parent company of subsidiaries operating in Austria and the central organisation (CO) of the Austrian Volksbank-Sector. Apart from association-related business with the Volksbanks, the focus is on private and corporate customer business in Austria.

VBW, as CO pursuant to Section 30a of the Austrian Banking Act, is part of the association of credit institutions (joint liability and liquidity association). The regulatory provisions of Parts 2 to 8 of Regulation (EU) no. 575/2013 as well as Section 39a Austrian Banking Act must be met by the Association of Volksbanks on the basis of the consolidated financial situation (Section 30a (7) of the Austrian Banking Act). VBW must continue to meet all regulatory provisions on single-entity level and at the level of the credit institution group. The members of the Association of Volksbanks have unlimited liability among themselves, the pro-rata assumption of the costs and risks of the CO was contractually agreed. By letter dated 29 June 2016, the European Central Bank (ECB) granted perpetual approval of the Association of Volksbanks without further requirements.

In the 2024 financial year, there were no substantive, practical or legal impediments to the transfer of own funds or the redemption of liabilities between the parent institution and its subordinate institutions.

4.2 Differences between accounting and supervisory purposes

CRR Art 436 (b) – (d), EU LI1 – EU LI3

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

4.3 Risk from equity exposures not included in the trading book

CRR Art 436 (e)

This item includes subsidiaries and participations established or acquired for strategic reasons. Strategic participations are companies that cover the areas of business of the VBW Group, as well as companies that support those areas of business. Subsidiaries are fully consolidated if they are material for the presentation of a true and fair view of the net assets, financial position and results of operations of the VBW Group.

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

possible at any time. If valuation reports for participations are prepared by external valuers, they will be used for current valuation.

To the extent that the discounted cash flow method is applied, the discount rates used are based on the respective current recommendations of the Fachsenat der österreichischen Kammer der Wirtschaftstreuhänder as well as of international financial data service providers and range between 8.5 – 12.7 % in the 2024 financial year (2023: 8.9 – 13.2 %). The market risk premium used for the calculation is 7.0 % (2023: 7.8 %), the beta values used range between 0.9 – 1.5 (2023: 0.9 – 1.4). Additional country risks did not have to be considered. Discounts due to fungibility and exercise of control in the amount of 10 % in each case are effected for two participations.

Changes in value are reflected in the fair value reserve. If the reason for an impairment loss ceases to exist, the reversal of impairment is made without any effect on profit or loss directly in equity in other comprehensive income, taking into account any deferred taxes.

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

Shares and participations

Euro thousand	31 Dec 2024	31 Dec 2023
Shares in unconsolidated affiliates	2,540	2,355
Investments in companies with participating interests	5,343	4,890
Other participations	88,161	70,633
Participations	96,044	77,878

A list of unconsolidated affiliates is shown in Note 53).

The most significant participations in the item Other participations are Volksbank Oberösterreich AG with a carrying amount of euro 22,576 thousand (2023: euro 13,190 thousand), Volksbanken Holding eGen with a carrying amount of euro 22,349 thousand (2023: euro 26,525 thousand), and Österreichische Ärzte- und Apothekerbank AG with a carrying amount of euro 13,158 thousand (2023: euro 4,843 thousand). Income from participations is reported in the income statement in the item result from financial instruments and investment properties. Income from participations includes dividends of euro 2,253 thousand from participations measured at fair value through OCI (2023: euro 2,334 thousand).

VBW cancelled 40,918,507 of its original 54,078,682 shares with a face value of euro 0.02 each in Volksbanken Holding eGen as at 30 November 2023, i.e. shares with a face value of euro 818,370.14. Following the expiry of the one-year disbursement block pursuant to Section 79 of the Cooperative Societies Act (GenG), Volksbanken Holding eGen disbursed the share capital totalling euro 8,445,689.76 to VBW in December 2024, including euro 818,370.14 in pro rata nominal capital. The partial cancellation of the shares was carried out for the purposes of reducing the participation in Volksbanken Holding eGen. This cancellation has caused a carrying amount of euro 17,470 thousand to be disposed of.

Sensitivity analysis

VBW holds shares in cooperatives in which the members have no entitlement to the available assets in the event that the shares are cancelled (not in the event of winding up), unless the articles of association stipulate otherwise. Therefore, no sensitivity is calculated for these companies with a carrying amount of euro 5,468 thousand (2023: euro 5,472 thousand), as any change of interest rate will not affect valuation.

Participations valued using the DCF method

Proportional fair value

Euro thousand		-0.50 %	Interest rate ACTUAL	0.50 %
31 Dec 2024				
	-10.00 %	10,849	10,526	10,244
Income component	ACTUAL	12,054	11,498	10,991
	10.00 %	13,259	12,648	12,090
31 Dec 2023				
	-10.00 %	9,434	9,168	8,925
Income component	ACTUAL	10,112	9,817	9,547
	10.00 %	10,790	10,466	10,169

Participations measured at net assets

Euro thousand	Proportional fair value		
31 Dec 2024	Decrease of assumption	ACTUAL	Increase of assumption
Net assets (10 % change)	6,930	7,634	8,470
31 Dec 2023			
Net assets (10 % change)	5,708	6,343	6,976

Participations measured based on external appraisals

Euro thousand	Lower band	ACTUAL	Upper band
31 Dec 2024			
Proportional fair value	64,269	71,410	78,551
31 Dec 2023			
Proportional fair value	50,605	56,228	61,851

5 Own funds

5.1 Adjustment of own funds, deductions and adjustment items, and limitation on application

CRR Art 437 (a), (d), (e), EU CC1, EU CC2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

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

CRR Art 437 (b) and (c), EU CCA

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

5.3 Consideration of own funds components determined on a different basis

CRR Art 437 (f)

The relevant regulation is not applicable to VOLKSBANK WIEN AG as at 31 December 2024.

6 Own funds requirements

6.1 Approach used to assess the adequacy of internal capital

CRR Art 438 (a) and (b), EU OVC

The implementation of regulatory requirements at VBW is as follows:

Pillar 1: Minimum capital requirements

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

Pillar 2: Internal Capital & Liquidity Adequacy Assessment

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

Pillar 3: Disclosure

The requirements of Pillar 3 are met by publishing the qualitative and quantitative disclosure rules pursuant to Regulation (EU) no. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), as well as the applicable Regulation (EU) no. 2019/876 (CRR II) and Directive no. 2019/878 (CRD V) on the bank's own website under www.volksbankwien.at/hausbank/offenlegung/offenlegungsverpflichtung-gemaess-crr-.

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

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

The respective risk management procedures are up to date and are continuously improved and developed. They are appropriate to VBW's risk profile and strategy and consistent with those of the Association of Volksbanks.

As part of the annual SREP (Supervisory Review and Evaluation Process), the Managing Board of VBW submits the "Capital Adequacy Statement" (CAS) to the supervisory authority, which contains statements on the capital adequacy of the Association of Volksbanks. In the Capital Adequacy Statement, the capital resources of the Association of Volksbanks are assessed as adequate and the risk management as solid and robust. The adequacy of capital resources is determined

in particular by the level of the CET1 capital ratio. The CET1 capital ratio of the Association of Volksbanks as at 31 December 2024 was 15.46 %. The total capital ratio as at 31 December 2024 was 22.92 %. After full application of all regulatory requirements, the CET1 capital ratio as at 31 December 2024 is 15.38 % and the total capital ratio is 22.85 %.

The Association of Volksbanks again submitted to the annual SREP (Supervisory Review and Evaluation Process) within the scope of the Single Supervisory Mechanism (SSM) of the ECB. This resulted in a Pillar 2 Requirement (P2R) of 2.25 % at the consolidated level as at 31 December 2024 (2023: 2.50 %).

Moreover, the result of the Supervisory Review and Evaluation Process (SREP) also took account of the SSM stress test of the ECB that was carried out in 2023, with a Pillar 2 Guidance (P2G) of 1.25 %. The Pillar 2 Guidance must be met entirely with Common Equity Tier 1 (CET1) and has no impact on the maximum distributable amount (MDA).

Based on the SREP decision of November 2023 and taking into account the composition of the additional own funds requirement (P2R), the capital requirements and capital recommendations for the Association of Volksbanks as at 31 December 2024 are as shown in the table. Any shortfall in AT1/Tier 2 will increase the CET1 requirement accordingly.

Minimum capital requirements and capital buffers

Pillar 1	31 Dec 2024	31 Dec 2023
CET1 minimum requirement	4.50 %	4.50 %
Tier1 minimum requirement	6.00 %	6.00 %
Total minimum requirement for own funds	8.00 %	8.00 %
Combined buffer requirement (CBR)	3.95 %	3.79 %
Capital conservation buffer (CCB)	2.50 %	2.50 %
Systemic risk buffer (SRB)	0.50 %	0.50 %
O-SII buffer (O-SIIB)	0.90 %	0.75 %
Countercyclical capital buffer (CCyB)	0.05 %	0.04 %
Pillar 2	2.25 %	2.50 %
CET1 minimum requirement	1.27 %	1.41 %
Tier1 minimum requirement	1.69 %	1.88 %
Total minimum requirement for own funds	2.25 %	2.50 %
Total CET1 requirement	9.72 %	9.70 %
Total Tier1 requirement	11.64 %	11.67 %
Total capital requirement	14.20 %	14.29 %
Pillar 2 Guidance	1.25 %	1.25 %
CET1 minimum guidance	10.97 %	10.95 %
Tier1 minimum guidance	12.89 %	12.92 %
Total own funds guidance	15.45 %	15.54 %

During the 2024 financial year, the Association of Volksbanks complied with the minimum capital requirements and/or capital guidances resulting from the SREP. VBW must comply with the requirements of Pillar 1, but not those of Pillar 2. The buffer requirements for systemically important institutions (O-SIIB) and the systemic risk buffer (SRB) must only be complied with at the level of the Association of Volksbanks.

The result of the 2024 Supervisory Review and Evaluation Process (SREP) was forwarded to VBW as the central organisation of the Association of Volksbanks in the official SREP decision from December 2024. The SREP requirement (P2R) remains unchanged at 2.25 % in 2025. The SREP guidance (P2G) remains unchanged at 1.25 % compared to the reporting year. The buffer for systemically important institutions (O-SIIB) at consolidated level will decrease from 0.90 % to 0.45 % in 2025.

As at 31 December 2024, 82.4 % of VBW's available covering potentials in the economic perspective were utilised.

The capital position was consistently stable in 2024. The rating agency Fitch has confirmed the BBB+ rating of VBW and of the Association of Volksbanks. The rating outlook is considered stable by Fitch.

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Total Tier1 requirement	11.64 %	11.67 %
Total capital requirement	14.20 %	14.29 %
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6.2 Own funds requirement

CRR Art 438 (d), (e), (h), EU OV1 This quantitative information is disclosed in tabular form in the document "Offenlegung_KI Gruppe_2024-12-31.xlsx".

6.3 Participations of insurance undertakings that were not deducted

CRR Art 438 (f), EU INS1

The relevant regulation is not applicable to VOLKSBANK WIEN AG as at 31 December 2024.

6.4 IFRS transitional provisions

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

7 Macroprudential supervision

7.1 Countercyclical capital buffer

CRR Art 440, EU CCyB1, CCyB2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

7.2 Indicators of global systemic relevance

CRR Art 441

VOLKSBANK WIEN AG is classified as a not globally systemically important group.

8 Information on credit risk and credit risk mitigation

8.1 General qualitative information on credit risks

EU CRB

Definition of “overdue” and “non-performing”

CRR Art 442 a)

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

Methods for determining specific and general credit risk adjustments

CRR Art 442 b)

Impairment loss is calculated and recognised for the following financial instruments:

- For financial assets at amortised cost (AC), lease receivables in accordance with IAS 17 and active contract items in accordance with IFRS 15, the impairment loss is recognised by way of a risk provision.
- In case of purchased or originated credit-impaired financial assets (POCI), the impairment loss is taken into account in the credit risk-adjusted effective interest rate¹. If the amount of estimated loss has changed since the time of addition, this is reported as a risk provision.
- Impairments of irrevocable loan commitments and financial guarantees are reported as provisions in liabilities.
- For debt instruments classified as fair value through other comprehensive income (FVTOCI) in accordance with IFRS 9, the impairment loss is recognised through other comprehensive income (OCI).

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

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

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

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

12-month expected credit loss (Stage 1) if:

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

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

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

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

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

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

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

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

Changes in the estimate of the amount or timing of the expected cash flows (e.g. by accepting additional collaterals) lead to a recalculation of the impairment; the original effective interest rate continues to be decisive for discounting. The impairment is adjusted to the recalculated requirement through profit or loss. If the reason for the impairment lapses, the impairment is reversed in full through profit or loss. The upper limit is the notional amortised cost of the receivable as it would have been without any impairment at the current reporting date.

Forward-looking information

VBW takes account of forward-looking information in determining impairment loss. The forward-looking information includes both macroeconomic projections and existing information at sub-portfolio or individual customer level.

The ECB's macroeconomic projections are used as an anchor for determining the real economic scenarios. Based on internal analyses and taking into account additional market data, several scenarios are defined. The prognostic process comprises both the forecast of the development of the relevant variables in real economic terms over the course of the next three years and the estimate of probability (weighting) for each scenario. In weighting the macroeconomic scenarios, the risk situation and the composition of the portfolio of the Association are taken into account in particular.

The process of formation of an impairment loss for the annual financial statements provides for a comprehensive evaluation of the up-to-dateness of available forecasts. New risks that have not been fully mapped in the available data, or possible

macroeconomic developments that are not fully reflected in the models, scenarios and assumptions are recorded as post-model adjustments.

For the evaluation of the up-to-dateness of the underlying data, account was taken of the fact that, for the rating model used for companies preparing a balance sheet, recalibration was in progress at year-end 2024, but was not yet in use as at the balance sheet date (31 December 2024). The effects of this future rating calibration were mapped in the 2024 annual financial statements as post-model adjustments.

With respect to new types of risk drivers that are not fully reflected in the models, scenarios and assumptions, a systematic analysis was performed as at 31 December 2024. The analysis included, in particular, risk identification, delimitation, materiality and degree of coverage of the new risk drivers in relation to individual sub-portfolios and covered the following risk categories:

- Geopolitical risks
- Climate and environmental risks
- Energy costs, prices of raw materials and supply chain risks
- Inflation risks and risks of increasing interest rates
- Macroeconomic uncertainties

Material new risks not fully reflected in the models, scenarios and assumptions were quantified using simulations of rating downgrades and/or by readjusting the stage transfer rules, and then recognised as post-model adjustments. As at 31 December 2024, post-model adjustments were effected in the following sub-portfolios:

- Corporate customers highly dependent on gas and energy prices
- Customers in the real estate and construction sectors with below-average ratings

Foreign currency loans and loans with repayment vehicles

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

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

The review of the indicators has shown that items a. and b. were not fulfilled at VBW as at 31 December 2024 and that no disclosure is required as a result; however, item c. is fulfilled for VBW, and therefore disclosure of loans with repayment vehicles is made pursuant to margin no. 51 of the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles:

31 December 2024				
Volume (EUR ths.)	Total exposure* repayment vehicle loans	Repayment vehicle gap cumulative	Gap in %	Share of repayment vehicle loans in total portfolio
Total	72,446.08	17,945.13	24.8%	1.0%
of which CHF	48,701.03	15,116.28	31.0%	0.7%
of which EUR	23,200.38	2,826.97	12.2%	0.3%
of which JPY	544.67	1.89	0.3%	0.0%
of which USD	-	-	0.0%	0.0%
other	-	-	0.0%	0.0%

* Total exposure based on internal risk view: only customer loans, customer risks and customer contingent liabilities are included, internal transactions are excluded.

The projection of the repayment vehicles is made on the basis of the current redemption value, the periodic payments, the assumed return, the index adjustment (only for life insurance policies), and the residual duration. The calculated final value(s) or benefit(s) at maturity is/are compared to the loan(s) at customer level, resulting in a gap or surplus cover.

The parameters used (assumed interest rate and index development) are determined uniformly throughout the Association and revised annually in Q3. As of January 2024, the following annual net yields were used: traditional life insurance 1.52 %; unit-linked life insurance 1.24 %; non-linked repayment vehicles 0.97 %; and index adjustment for relevant life insurance policies 2.30 %.

8.2 Quantitative information on credit risks

CRR Art 442 c) – g)

The quantitative information presented in this chapter is based on the definitions and measures applicable to regulatory reporting under the CRR and the regulatory scope of consolidation of the Association of Volksbanks and may therefore differ from financial reporting under IFRS.

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

Contents	Reference	Template
Disclosure on amount and credit quality of exposures including risk provisions, impairments and collateralisation	CRR Art 442 c)	EU CQ1, EU CR1
Maturity structure of overdue exposures	CRR Art 442 d)	EU CQ3
Collaterals obtained by means of seizure and realisation	CRR 442 c)	EU CQ7
Presentation of exposures by geographical distribution, economic sectors and type of receivables	CRR 442 e)	EU CQ5
Changes in the portfolio of defaulted on-balance-sheet and off-balance sheet exposures	CRR 442 f)	EU CR2
Breakdown of loans and bonds by residual duration	CRR 442 g)	EU CR1-A

8.3 Information on credit risk mitigation

CRR Art 453 a) – e), EU-CR3

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

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

On-balance-sheet netting:

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

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

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

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

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

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

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

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

Exposures that may be subject to netting:

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

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

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

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

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

If it is not possible to offset exposures and liabilities (mutual cash balances) at any time and in particular directly in the event of the borrower’s insolvency, any netting of the related transactions is not permitted. In such a case, corresponding

deposits with the credit institution could be taken into account as financial collaterals (cash collaterals) when determining the minimum own funds requirement, provided the other requirements are met.

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

Rules and procedures for the valuation and management of collaterals

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

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

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

The most important types of collaterals at VBW are real estate collaterals, followed by guarantee collaterals and financial collaterals (cash deposits). The most important types of guarantors are sovereigns or states and municipalities as well as banks, the eligibility of the guarantors results from the segment or the external minimum rating of the guarantors, the guarantees meet the requirements pursuant to CRR Articles 213, 214 and 215.

At present, VBW does not have any credit derivatives that are used as collateral for loans.

Market and credit risk concentrations within credit risk mitigation

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

Credit risk mitigation by exposure class (OE 282)

CRR Art 453 f) to i), EU-CR3, EU-CR4

Credit risk and credit risk mitigation in the standardised approach

Use of ECAI

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

(lit a)

VBW has appointed the rating agencies Standard & Poor's and Moody's irrespective of the class of exposures.

(lit b)

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

(lit c)

VBW applies external ratings under Article 139 CRR.

(lit d)

VBW adheres to the standard classification published by the EBA.

This quantitative information is disclosed in tabular form in the document "Offenlegung_KI Gruppe_2024-12-31.xlsx".

Contents	Reference	Template
Overview credit risk mitigation	CRR Art 453 f)	EU CR3
Credit risk mitigation by exposure class under the standardised approach	CRR Art 453 g) to i)	EU CR4
Credit risk mitigation by credit rating	CRR 444 e)	EU CR5

9 Counterparty credit risk

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

Contents	Reference	Template
Exposures by approach	439 f,g	EU CCR1
Exposures subject to capital requirements for credit risk-related valuation adjustments	439 h	EU CCR2
Exposures by exposure classes and risk weighting	439 l	EU CCR3
Composition of collaterals	439 e	EU CCR5
Exposures to CCPs	439 i	EU CCR8
Credit derivative exposures (not relevant at VOLKSBANK WIEN AG)	439 j	
α -estimate (not relevant at VOLKSBANK WIEN AG)	439 k	

10 Market risk

CRR Art 445, EU MR1

Own funds requirements for market risk under the standardised approach

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

11 Risk from securitisation positions

CRR Art 449

VOLKSBANK WIEN AG has no exposures from securitisation positions.

12 Unencumbered assets

12.1 Quantitative information

CRR Art 443, EU AE1, EU AE2, EU AE3

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

12.2 Qualitative information

CRR Art 443, EU AE4

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

In the period under review, no longer-term repo transactions within the meaning of Delegated Regulation 2015/61 Article 8(4) are allotted to the encumbered assets reported in line 040 of Chart A. As in the previous period, short-term repo transactions (maturities of up to 2 months) were concluded with securities eligible for central bank borrowing in the past financial year. As at the reporting date, approximately euro 288 million in debt instruments eligible as HQLA were designated for short-term repo transactions. No securities eligible for the cover fund were allocated to the underlying stock for covered bonds, as of 8 July 2022 [under the] Austrian Mortgage Bank Act. As at the reporting date, approximately euro 1 million, and in the period under review approximately euro 1.50 million (median), were designated for the liquidity buffer under Section 21 Austrian Mortgage Bank Act.

Approximately 91 % of the reported values of the securities shown in Chart A are encumbered to cover deposits subject to collateralisation. The increase of approximately 1.16 % (median) of the encumbered assets in line 040 of Chart A is essentially due to the above-stated short-term repo transactions. At the reporting date, the share of encumbered assets in the segment of HQLA-eligible debt instruments increased to approximately 18 % and is based on the above-stated repo transactions.

VB Wien AG, as the central organisation of the Association, provides a share of approximately 30 % (median) of the encumbered debt instruments eligible as HQLA in the Association. For details on HQLA development and the LCR, please refer to the Liquidity Risk section of the report. The values shown in the quantitative information on the LCR are the market values of the assets less the corresponding haircuts for the respective asset classes. The median values shown as (E)HQLA in Chart A are determined from an accounting perspective, which is why a derivation is not possible due to the different valuation methods. The same scopes of consolidation are applied in both disclosure reports.

As the central organisation of the association of credit institutions, VOLKSBANK WIEN AG is the central business partner for hedging transactions (interest rate and foreign currency). Cash collaterals (including initial margin) for the hedging of fair values for foreign currency refinancing and interest rate derivatives (for the hedging of issues and long-term lending business), as well as promotional loans, account for approximately 6.2 % of the volume of encumbered assets in the item Other assets (line 120 Chart A). Compared to the previous period, the volume decreased by approximately 8 % on average. The change is essentially due to interest rate hedging and the associated fair value changes of the interest rate derivatives. The share of the credit institution group within the Association is 100 %.

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

No currency is classified as a significant currency within the meaning of Article 415 of the CRR. The Swiss franc (CHF) constitutes the major part of the requirement for FX refinancing, which is primarily effected via cross currency and FX swaps.

Of the unencumbered assets shown in Chart A, credit balances with central banks and balances with clearing partners account for around 33 % of the volume. These assets are used to service operations and payment transactions as well as to hold minimum reserves and secure liquidity for VOLKSBANK WIEN AG and the association of credit institutions. Physical assets are unsuitable to be encumbered during “business as usual”, because of the fluctuations in volume. The increase as at the reporting date in the amount of approximately 15 % in this segment is due, among others, to the growth in primary funds and the successful issuing activity.

Of the other unencumbered assets shown in Chart A, line 120, approximately 32 % are mortgage backed loans, of which approximately 66 % qualify for the underlying stock based on internal criteria.

VOLKSBANK WIEN AG, as the central organisation of the association of credit institutions, is an issuer of covered bonds within the meaning of the Austrian Mortgage Bank Act. Covered bonds within the meaning of the act governing covered bonds (FBSchVG) still exist. The underlying stock entirely consists of mortgage-backed loans of the association of credit institutions, including of VOLKSBANK WIEN AG.

In the reporting period, 5 covered bonds, total face value euro 703.85 million, within the meaning of the Austrian Mortgage Bank Act were issued and 4 bonds under the FBSchVG were redeemed. The surplus cover of the cover fund (underlying stock) has increased significantly due to the allocation of additional risk covering potentials. The quality of the cover fund was maintained during the period under review. The surplus cover of statutory requirements amounted to approximately 59 % with cover assets of approximately euro 5.097 billion as at the reporting date.

Of the covered bonds outstanding on the reporting date with a face value of euro 3.148 billion, euro 3.019 billion have an Aaa rating from Moody's. The share of covered bonds placed was approximately 73 % of the total issue volume on the reporting date. The remaining portfolio is deposited with the central bank as liquidity covering potential.

In the case of the selected liabilities in Chart C, apart from derivatives positions, around 82 % of the volume are attributable to covered bonds placed on the market. A share of approximately 4 % of the liabilities relates to deposits subject to collateralisation, e.g. charge money, trustee deposits or liabilities to central banks. The median of the volume of deposits subject to collateralisation changed by some 40 % year-on-year. As at the reporting date, the volume decreased by approximately 21 % year-on-year. The reduction on the reporting date is due, among others, to the reduction of the TLTRO III volume, which was repaid in full.

13 Debt

13.1 Quantitative information

CRR Art 451, EU LR1 (LR Sum), EU LR2 (LR Com), EU LR3 (LR Spl)

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

13.2 Qualitative information

CRR Art 451 d) and e)

Procedures for monitoring the risk of excessive indebtedness

The leverage ratio is a simple, transparent and non-risk-based ratio. The Tier 1 capital (T1 capital) is compared with the (unweighted) on- and off-balance sheet asset items. The leverage ratio requirements are intended to limit the excessive build-up of debt in the banking system. Thus, it is taken into account in internal risk management and assessed as part of the supervisory review process.

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

In the EU, the leverage ratio is a binding minimum requirement from June 2021 as a result of applicable CRR II provisions.

Current reporting

The leverage ratio is reported to the Managing Board of the CO as part of the aggregate bank risk report. The leverage ratio is updated quarterly.

Procedures for responding to changes in the leverage ratio

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

Introduction of measures

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

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

As at 31 December 2024, the **leverage ratio** of the VOLKSBANK WIEN AG credit institution group has decreased by 2.03 percentage points to 5.90 % compared to 2023.

The change in **Tier 1** from euro 1 billion to euro 830 million is mainly due to the call of the AT1 issue of euro 220 million in April 2024, following approval by the supervisory authority, and hence to the reduction of the AT1. This compares to an increase in CET1, which is due, in particular, to the profit generated in 2024.

The increase of the **assessment basis** by euro 1.4 billion is due to the new issue of two Tier 2 bonds in March and September 2024 (euro 0.5 billion each), and the partial repurchase of the Tier 2 bond from 2017 (euro -0.2 billion). The repayment (euro -0.6 billion) of refinancing within the scope of the TLTRO III programme of the ECB is compensated by higher interbank deposits. Lower refinancing amounts within the Association of euro 0.5 billion reduce the deduction for calculating the leverage ratio assessment basis.

14 Liquidity requirements

14.1 Quantitative information

CRR Art 451a (2)+(3), EU LIQ1, EU LIQ2

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

14.2 Qualitative information

CRR Art 451a (2), EU LIQB

Explanations of the main drivers of LCR results and development of the contribution of inputs to the calculation of the LCR over time

The liquidity buffer (HQLA) is the main driver of the LCR. At VBW, this buffer is particularly high in relation to total assets because, as the central organisation, VBW holds the liquidity buffer for the entire Association of Volksbanks. The liquidity buffer is composed of OeNB credit balances and HQLA securities and indicates a comfortable liquidity base as before. It is higher than at the beginning of the reporting period (30 April 2023), which is mainly due to the increase in customer deposits since autumn 2023 and to capital market issues. Liquidity outflows, e.g. the repayment of ECB funding (TLTRO III), have reduced the liquidity buffer.

LCR outflows are mainly caused by the high volume of retail deposits, which, however, receive very low LCR outflow factors of 5 % for the major part. Material LCR outflows arise from the liquidity reserves which the local Volksbanks hold with VBW, with LCR outflow factors of mostly 100 %, as well as from unsecured wholesale deposits with LCR outflow factors of mostly 40 %. The increase in the total volume of customer deposits since autumn 2023 has led to slightly higher LCR outflows with increasing LCR, as the additional deposits with low weightings simultaneously increase the liquidity buffer. Short-term fluctuations in the volume of deposits mainly arise from effects of payment transactions.

The cash inflows assumed in the LCR calculation also arise predominantly from retail business. The weighted inflows are comparatively low, and accordingly have only little influence on the LCR. They amount to less than 10 % of weighted outflows.

Explanations of changes in the LCR over time

In the period under review, the LCR average was initially around 196 %, subsequently increasing to over 200 %. Most recently it was approximately 199 %. In the course of 2024, the LCR at the reporting dates varied at a high level between 176 % and 242 %. It was mainly the launch of new issues as well as increasing customer deposits against a background of generally cautious credit growth that have had an LCR-increasing effect in the reporting period. The shifting position within the Association vis-à-vis the local Volksbanks was equally significant.

As regards customer deposits, moderate outflows were recorded until the autumn of 2023, which need to be considered in the context of the marked increase in interest rates and the resulting aggravated competition over customer deposits, the reduction of excess liquidity from the period of the COVID pandemic, as well as high inflation and (energy) costs. This decrease was more than compensated by the end of the reporting period.

In the period under review, three benchmark issues with a volume of euro 500 million each were floated by VBW. As the central organisation, VBW is responsible for the capital market refinancing of the entire Association of Volksbanks. Additionally, since the end of 2022, Retail issues with a total volume of some euro 750 million have been placed primarily by VBW (for its own purposes and in its capacity as central organisation for the Volksbanks). The benchmark issues have markedly strengthened the LCR. The LCR effect of the Retail issues, on the other hand, is low, as the former are mostly liquidity-neutral reallocations of giro/savings deposits to securitised products.

The participation of VBW in two TLTRO III transactions of the ECB during the COVID pandemic led to a marked increase of the LCR at the time (2020/2021). Overall, a volume of euro 3.5 billion was raised. This volume was paid back in full with the last tranche of euro 600 million in June 2024. The partial repayment of euro 700 million in December 2023 and the repayment of the remaining euro 600 million in June 2024 have caused the LCR to decrease at the reporting dates, but, due to opposing positive developments in customer deposits and new benchmark issues, have not led to a decrease of the average LCR.

Explanations on the actual concentration of funding sources

The liabilities are strongly characterised by the customer deposit business, a stable and highly diversified source of funding with relatively constant and low LCR outflows. Due to this diversified funding through customer deposits, VBW is not exposed to any material concentration risk.

In line with the business model, the most important source of funding is small-volume retail deposits (giro and savings, including SME deposits) with an average volume of around euro 4.5 billion, which corresponds to approximately 30 % of total assets. Of this amount, around euro 3.5 billion is classified as stable deposits. By their very nature, small-volume customer deposits are highly diversified.

Unsecured deposits from large customers are of minor importance, with an average volume of around euro 1.7 billion. With these deposits, too, no relevant concentrations have arisen. At VBW, the top 15 depositors account for only around 5 % of total assets. Individual depositors are usually less than 1 %. At the end of the calendar year, there are only a few temporary exceptions with a few large customers at VBW for payment transactions or balancing out liquidity peaks, which temporarily increase the LCR.

As the central organisation of the Association, VBW is also responsible for the latter's liquidity management. Therefore, the liquidity and minimum reserves to be provided by the individual Volksbanks with a total volume of around euro 2.3 billion are also relevant in terms of liabilities.

VBW's dependence on capital market funding (including Tier 2 own funds issues) is higher than within the Association, as VBW takes care of capital market refinancing for the entire Association. VBW is the only institution in the Association that has central bank access and can accordingly refinance itself via central bank funds. Since June 2024, following the last TLTRO III partial repayment, the Association of Volksbanks is no longer refinanced through central bank funds.

Overarching description of the composition of the institution's liquidity buffer

As at 31 December 2024, around 55 % of the weighted LCR liquidity buffer of VBW consist of credit balances with the OeNB and of cash, the remainder being free HQLA securities. These are mainly HQLA Level 1 securities, primarily in the form of government bonds and mortgage bonds, with only a small part (around 5 % of HQLA) being classified as HQLA Level 2.

Derivative exposures and potential collateral requirements

The derivative exposure for which collateral must be provided mainly consists of interest rate swaps and EUR-CHF FX derivatives at VBW. For this exposure, around euro 40 million net in cash collateral are currently being provided as at 31 December 2024. Potential future collateral requirements, derived from the maximum monthly change in collateral call liabilities over a historical 2-year period, are LCR-relevant. At approximately 2 % of weighted net cash outflows, LCR outflows from derivatives and collateral requirements are less important overall.

Currency mismatch in the LCR

The LCR currency mismatch at VBW is immaterial. Relevant foreign currency positions exist only in CHF. Other currencies are present in the portfolio, but are of minor importance.

At VBW, the loan portfolio in CHF has been steadily maturing for years and currently accounts for less than 0.5 % of total assets. The inflows from this loan portfolio are offset by outflows from FX derivatives that refinance this portfolio. The

collateral for the FX derivatives is issued exclusively in euros. The volume of CHF deposits is immaterial. Securities denominated in CHF are not held.

Other positions in the LCR calculation that are not captured in the LCR disclosure reporting form but that the institution considers relevant to its liquidity profile

There are no other positions relevant to the liquidity profile.

15 Key Metrics

EU-KM1

This quantitative information is disclosed in tabular form in the document “Offenlegung_KI Gruppe_2024-12-31.xlsx”.

16 Return on equity

CRD IV Art 90

The return on capital employed for the 2024 financial year is 0.27 % (2023: 0.89 %) and is calculated as the ratio between result after taxes and total assets at the balance sheet date.

The decrease of the annual result is due to higher loan loss provisions (euro -51.1 million) and to the decline in net interest income (euro -28.5 million), mainly caused by the interest rate reductions of the ECB as well as by higher current staff expenses (euro -12.9 million, among others due to collective bargaining agreements), and to higher administrative expenses (euro -21.4 million, mainly due to investments in market development causing higher IT and marketing expenses). This compares to other operating results being higher by euro 29.5 million, and to higher commission fees (by euro 10 million).

For the increase in total assets, please refer to the explanations regarding the leverage ratio.

17 List of abbreviations

Abs/para	paragraph
ABS	Asset Backed Security
afs	available for sale
AMA	Advanced Measurement Approach
ASA	Alternative Standardised Approach
A-SRI	other systemically important institutions
AT1	Additional Tier 1
BB	banking book
BIA	Basic Indicator Approach
BP/bps	basis point(s), 0.01 per cent
BWG	Bankwesengesetz, Austrian Banking Act
bzw.	and/or, respectively
CAS	Capital Adequacy Statement
CCF	Credit Conversion Factor
CDS	Credit Default Swap, derivative swap instrument on a loan loss
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
COSO	Organizations of the Treadway Commission
CQS	Credit Quality Step
CRD IV	Capital Requirements Directive IV, Directive 2013/36/EU of the European Parliament and of the Council
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation, Regulation (EU) No 575/2013 of the European Parliament and of the Council
CSR	Corporate Social Responsibility
CVA	Credit Value Adjustment
CVaR	Credit Value at Risk
i.e.	that is
Dr.	Doctor
DVA	Debt Value Adjustment
EAD	Exposure at Default, outstanding exposure in the event of default
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EFE	expected future exposure
incl.	including
EM/OF	Own funds
EU	European Union
EUR	euro
EVE	Economic Value of Equity
EWB/ILLP	individual loan loss provision
ECA	European Currency Area
EWS	Early Warning Score
ESG	Environmental, Social, Governance
ECB	European Central Bank
FBSchVG	Austrian act governing covered (bank) bonds
et seqq	and following (plural)
FH	financial holding
FMA	Austrian Financial Market Authority
FRA	Forward Rate Agreement, over-the-counter forward rate transaction
FUPL	Fair Value through Profit or Loss
FVTOCI	Fair Value through Other Comprehensive Income
FVTPL	Financial at Fair Value through Profit and Loss
FX	foreign exchange, foreign currency
DOB	born
acc. to	according to
GKRM/RMP	Risk management principles
GSP/GRP	Group Resolution Plan

G-SRI	global systemically important institutions
GvK/GaC	group of affiliated customers
P&L	income statement, profit & loss account
GI	General Instruction
HB/TB	trading book
hft	held for trading
HIKrG	Hypothekar- und Immobilienkreditgesetz (Austrian Mortgage and Real Estate Credit Act)
HR	Human Resources
htm	held to maturity
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
iHv.	in the amount of
ICS	internal control system
incl.	included/including
IRB	Internal Rating Based, based on internal ratings
IRS	Interest Rate Swap, derivative swap instrument on variable interest rates
ISDA	International Swaps and Derivatives Association
iVm	in connection with
JRAD	Joint Risk Assessment Decision
KI/CI	credit institution
KIM-VO	ordinance regarding real estate financing measures by credit institutions
CC	Credit Committee
SME	small and medium-sized enterprises
KP-V	Capital Buffer Regulation
KRL	Capital reserve(s)
LCR	Liquidity Coverage Ratio
lit	littera, letter
LFZ	maturity, term
LGD	Loss Given Default
I&r	loans and receivables
LK	countries and municipalities
Mag.	Magister
m	million
bn	billion
MUM	Monetary Union Member, country of the euro zone
NAKO	Sustainability Committee
NGFS	Network for Greening the Financial System
NII	Net Interest Income
NPL	non-performing loans
no.	number
NSFR	Net Stable Funding Ratio
O-SIIP	buffer for systemically relevant institutions
OCI	Other Comprehensive Income
ODP/OFXP	open foreign exchange position
OEM	Original Exposure Method
OeNB	Österreichische Nationalbank, Austrian National Bank
UCI	undertakings for collective investment
OpR	operational risk
OTC	over the counter (derivatives)
p.a.	per annum, annually
PD	Probability of default
PLM	Loan Management System
POCI	purchased or originated credit-impaired financial assets
PSE	Public Sector Entity
PVBP	Price Value of a Basis Point
p&l	profit and loss
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RCF	Risk Control Function

RL/Dir	Directive
RMF	Risk Manager Function
RRE	Residential Real Estate
RST/Prov	provision
RTFR	risk-bearing capacity calculation
SA-CCR	standardised approach to counterparty risk
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
SRP/SRB	systemic risk buffer
STA	standardised approach
T1	Tier 1
T2	Tier 2
TC	Total Capital
kEUR	euro thousand
UGB	Unternehmensgesetzbuch, Austrian Business Code
VaR	Value at Risk
VBW	VOLKSBANK WIEN AG
VKrG	Austrian Consumer Credit Act
VO/Reg	Regulation
FTE	full-time equivalent
Z	number
e.g.	for example
ZK	affiliated banks
CO	Central Organisation