Annual Report 2012

IFRS – compliant Group Management Report and Consolidated Financial Statements

Raiffeisenlandesbank Niederösterreich-Wien

OVERVIEW OF THE RLB NÖ-WIEN GROUP (IFRS FIGURES)

Monetary values are in €m	2012	+/(–) CHANGE[1]	2011[2]
Consolidated Income Statement			
Net interest income after impairment charge	104.4	(30.2%)	149.5
Net fee and commission income	71.9	6.3%	67.6
Net trading income	7.6	—	(1.6)
Profit from investments in entities accounted for using the equity method	93.6	(22.4%)	120.6
General administrative expenses	(190.9)	2.9%	(185.5)
Profit for the year before tax	16.8	(84.5%)	108.7
Consolidated net profit for the year	22.5	(79.7%)	110.8
Consolidated Balance Sheet			
Loans and advances to other banks	10,042	(8.0%)	10,915
Loans and advances to customers	10,465	3.7%	10,094
Deposits from other banks	12,643	(12.4%)	14,429
Deposits from customers	8,090	10.9%	7,294
Equity (incl. profit)	2,422	7.4%	2,256
Consolidated assets	32,310	0.7%	32,101
Regulatory information[3]			
Risk-weighted basis of assessment	13,383	(1.2%)	13,541
Total own funds	2,116	4.1%	2,033
Own funds requirement	1,138	(1.4%)	1,154
Surplus own funds ratio	85.9	9.8 ppt	76.1
Tier 1 ratio (credit risk)	11.0%	0.9 ppt	10.1%
Tier 1 ratio (total)	10.3%	0.9 ppt	9.4%
Own funds ratio (total)	14.9%	0.8 ppt	14.1%
Performance			
Return on equity before tax	0.7%	(4 ppt)	4.7%
Consolidated return on equity	1.0%	(3.8 ppt)	4.8%
Consolidated cost:income ratio	64.5%	12.3 ppt	52.2%
Return on assets after tax	0.1%	(0.2 ppt)	0.3%
Risk:earnings ratio	35.1%	7.5 ppt	27.6%
Additional information			
Employees (average full time equivalents)	1,285	1.5%	1,266
Branches and offices	66	0	66
Moody's ratings	**Long-term**	**Short-term**	**Financial Strength**
	A1	P-1	C-

[1] ppt = percentage points.

[2] Figures for the previous year have been restated in accordance with IAS 8. Details are provided in the sections on the *Change in the Format of the Balance Sheet* and *Changes in Recognition and Measurement Policies*.

[3] Since 2012, regulatory own funds have been presented in the Consolidated Financial Statements of RLB NÖ-Wien at the level of the individual institution. Because the difference compared with the calculation of own funds in accordance with *§ 23 BWG* (at the level of the individual institution) would be immaterial, a voluntary presentation for informational purposes of a *Kreditinstitutsgruppe* (credit institution group) in accordance with *§ 24 BWG* in conjunction with *§ 30 BWG* (calculation of the own funds of the *Kreditinstitutsgruppe*) has not been provided for RLB NÖ-Wien.

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GROUP MANAGEMENT REPORT

Overview of the 2012 Financial Year

The business model of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) with its focus on customer operations continued to prove its enduring worth during the 2012 financial year. The customer base grew by about 9,000 to roughly 265,000, demonstrating customers' confidence in the enterprise. This was impressively underscored by the strong growth in both loans and advances to customers, which increased by 3.7 per cent to €10.5 billion, and deposits from customers, which increased by 10.9 per cent to €8.1 billion.

Consequently, RLB NÖ-Wien's focus on the customer remained a cornerstone of its success during 2012. In a year of sovereign crises and the European Union's extensive efforts to stabilize the situation, it was particularly important to develop joint solutions with one's customers. The austerity packages that most of the EU Member States imposed on themselves weakened economic growth and, among other things, led to a sharp drop in interest rates. This had a very beneficial effect on the demand for loans and reduced the burden on borrowers. Accordingly, despite the economic downturn, the requisite impairment charge on loans and advances was below budget.

On the other hand, the dramatic drop in interest rates (above all short-term rates) reduced deposit margins. In addition, there was the additional burden of the regulatory obligation to hold sufficiently stable liquid assets, which is expected to come into effect in 2015, and the competition for customer deposits between banks heightened the pressure on margins.

Overall, these factors dented our interest earnings, reducing net interest income by €45.8 million to €160.8 million.

Our consistent and conservative risk policy kept impairment allowances steady during 2012. The impairment charge on loans and advances was slightly down on the previous year to €56.4 million (reduction of 1.1 per cent).

As ever, RLB NÖ-Wien offered its customers a broad range of services in addition to loan and deposit products. Payment services and securities, insurance and export advice are just some examples of the extensive spectrum of products and services on offer from the 'Best Advisor Bank'. The growth in customer demand for these services increased our net fee and commission income by 6.3 per cent to €71.9 million in 2012.

Net trading income grew significantly in 2012. The markets began to settle down towards the end of the year, and our customers took advantage of this to re-enter the capital markets, as did RLB NÖ-Wien's proprietary trading operations, generating profit again.

The drop in profit at the *Raiffeisen Zentralbank Österreich Aktiengesellschaft Group* (RZB Group) had a conspicuous impact on our profit from investments in entities accounted for using the equity method. Because the effect of RZB's profits on our own profit or loss is large, that decline in profit in conjunction with the drop in net interest income dented our consolidated net profit for the year.

The increase in regulatory requirements and our own commitment to applying a modern risk and bank management system resulted in correspondingly high investment outlay. Nonetheless, we kept the increase in general administrative expenses roughly in line with the rate of inflation, leading to a rise of €5.4 million to €190.9 million.

Overall, revaluation gains net of revaluation losses on securities within the line item *Profit/(loss) from financial investments* was positive. However, this did not make up for the loss on investments in entities accounted for using the equity method included in this line item that resulted from selling *Raiffeisen Bank Zrt.* (Hungary) and from ceasing to account for the interest held in *Raiffeisen Bank International AG* (RBI) using the equity method.

Consistent cost management, trading successes, the extension of our service activities and our focus on customer operations failed to balance out the impact of the unusually sharp drop in interest rates, the measures we took to implement Basel III and the decline in the RZB Group's consolidated profit. Together, the year's positive and negative developments reduced RLB NÖ-Wien's consolidated net profit to just €22.5 million.

On the other hand, our comprehensive income developed very well during 2012, coming to €217.2 million. The stabilization of the financial markets caused a big increase in the values of available-for-sale securities, and that was reflected here. The RZB Group's other comprehensive income developed similarly, contributing in proportion to the RLB NÖ-Wien Group's positive comprehensive income.

RLB NÖ-Wien's Tier 1 ratio calculated in relation to total risk was 0.9 percentage points up on the previous year to 10.3 per cent. This was well above the minimum of 4.0 per cent and above the 9.0 per cent threshold for systemic banks that will take effect on 30 June 2012. We had an own funds ratio of 14.9 per cent, and this too was well above the legislative minimum of 8.0 per cent and the ratio of 14.1 per cent recorded at the end of the previous year.

The Business Environment

THE GLOBAL ECONOMY

2012 GDP growth figures according to IMF estimates published in January 2013:

- World: 3.2 per cent
- China: 7.8 per cent
- United States: 2.3 per cent
- Japan: 2.0 per cent
- Eurozone: negative 0.4 per cent

Global GDP continued to grow in 2012. The growth rate of 3.2 per cent was slightly down on the 2011 figure of 3.9 per cent and only just below the average of 3.5 per cent recorded over the past 20 years. However, the pace of growth continued to vary considerably from region to region in the third year after the global recession of 2009. Despite slightly weakened growth, China with its growth rate of 7.8 per cent remained the global economy's growth engine, whereas other big economic regions faced a variety of problems. The overriding issue in the eurozone remained the struggle with the debt crisis. The prescribed austerity programmes and instability of the banking sector braked the economy, especially in the peripheral countries. The economies of core countries like Germany and Austria also weakened in the course of the year because of the drop in demand from the southern countries and the high level of uncertainty. According to estimates by the International Monetary Fund (IMF), the eurozone crisis is and will remain the biggest threat to the global economy.

We were surprised by the steady growth of private consumption in the United States, which still has the world's biggest economy. Among other things, it was due to gradual recovery in the labour market as well as rising property prices. However, uncertainty increased towards year-end as the fiscal cliff approached, and this was already being reflected by a drop in capital expenditure on plant and machinery in the third quarter of 2012. So far, the Democrats and Republicans have been unable to agree an austerity package, which means that spending will automatically be cut by US$85 billion in 2013 alone. This could have a grave impact on the economy. The Japanese economy is still suffering the after-effects of the natural disasters in 2011 and diplomatic tensions with China, and a change of government is also creating uncertainty. Shinzo Abe, the new Prime Minister, is risking an economic policy experiment made up of a huge economic package (worth the equivalent of about €170 billion) and a higher central bank inflation target. It is hoped these will help kick-start the economy.

THE AUSTRIAN ECONOMY

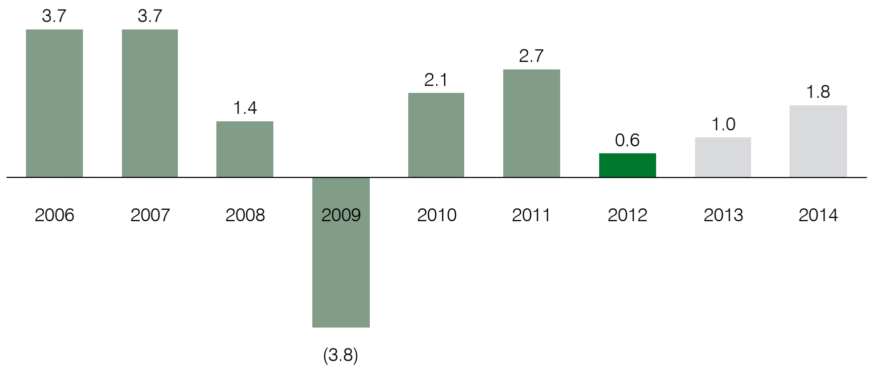
2012 indicators according to WIFO estimates published in March 2013:

- GDP growth: 0.8 per cent
- Private consumption growth: 0.4 per cent
- Inflation (CPI): 2.4 per cent
- Jobless rate calculated using the Austrian method: 7.0 per cent

The Austrian economy grew by 0.8 per cent in 2012. Although growth began to slow considerably in the second quarter of 2012, Austria's GDP held up relatively well despite the recession in the eurozone. For the eleventh year in succession, Austria's economy grew faster than the eurozone average. The job situation also continued to improve. However, the labour supply grew even faster (WIFO says that this was due to an increase in the participation of women and older workers in the job market and a rise in the number of foreign workers), so unemployment increased despite the creation of new jobs. Calculated using the Austrian method, the jobless rate rose to 7.0 per cent. This translates into a jobless rate of 4.3 per cent according to the *Eurostat* definition. Once again, it was the lowest of any of the 27 EU Member States.

Economic Growth in Austria

Percentage Change in Real GDP. Sources: Statistik Austria, WIFO.



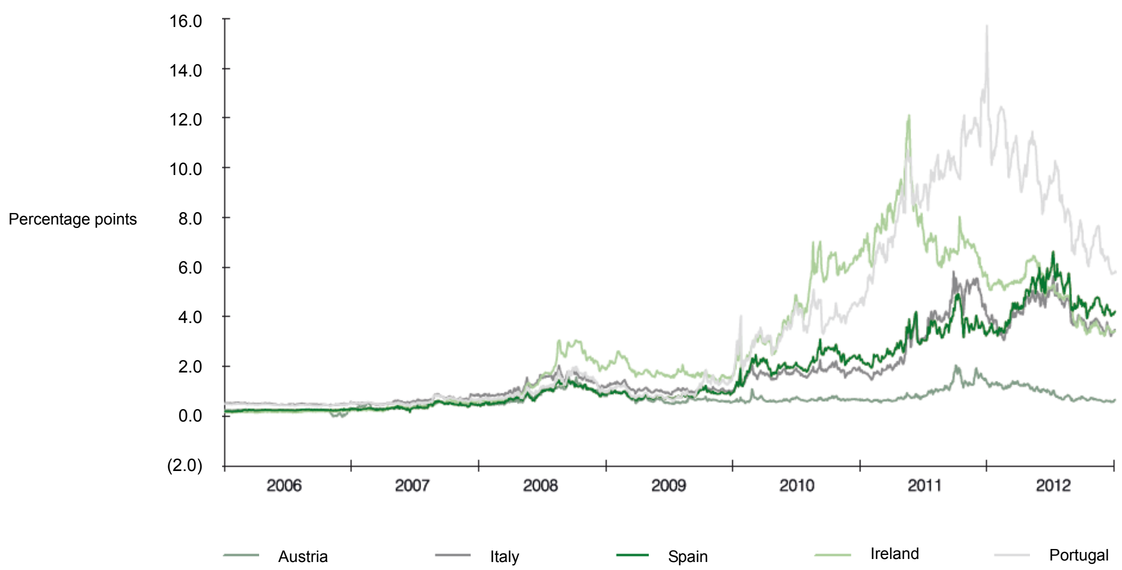
OVERVIEW OF THE FINANCIAL MARKETS

- The ECB cut its main interest rate to 0.75 per cent in July 2012. Money market rates and capital market yields in the core eurozone countries fell to new record lows.
- Risk premiums in some peripheral countries were now higher than before they joined the euro.
- Central banks in the United States, the UK, Switzerland and Japan maintained their zero or near-zero interest rate policies.
- Surplus liquidity helped many asset classes perform well over the year.

The renewed worsening of the eurozone debt crisis and the weakened economic outlook prompted the ECB to cut its main interest rate to a new record low of 0.75 per cent in July. At the end of July, the ECB announced that it would do whatever it takes within the terms of its brief to preserve the common currency. This led to the adoption of a new bond purchasing programme (the Outright Monetary Transactions Programme or OMT) at the beginning of September, and investors' confidence in the euro began to recover. It proved possible to halt the outflow of capital from the periphery, and risk premiums on government bonds have fallen significantly since then. Moreover, all this has happened even though the ECB has not yet taken any action. The ECB can only buy a country's government bonds in the secondary market when that country has made an aid application to the ESM and the application has been approved. However, the application for assistance that many had expected Spain to make had not been submitted by year-end—and risk premiums still fell considerably.

Bonds: Differing Risk Premiums within the Eurozone

Premium on 10-year Government Bonds over the Benchmark (= Germany). Source: Reuters EcoWin.

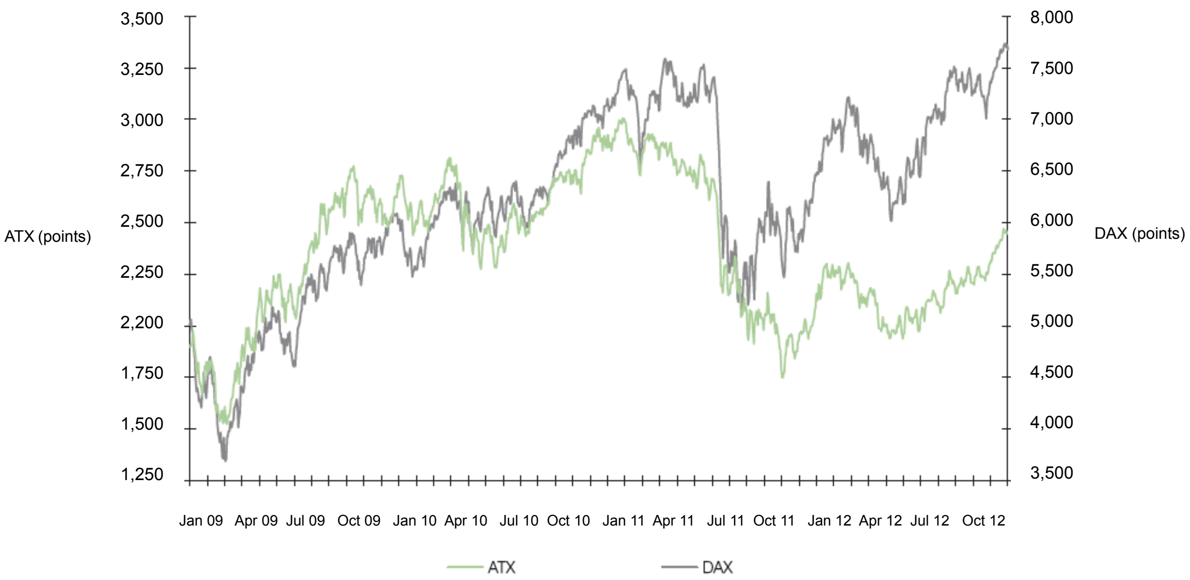


Ample central bank liquidity pushed eurozone money market rates down to unprecedentedly low levels. At year-end, the 3-month Euribor was 0.187 per cent. Concern about the euro debt crisis had a decisive impact on 10-year capital market rates. Whereas the yields on some peripheral bonds rose to previously unknown heights, German *bunds* in particular profited from their safe haven status. By mid-July, yields on 10-year German government bonds had dropped to an all-time low of below 1.2 per cent.

The liquidity surplus helped some equity markets deliver double-digit year-over-year performance, albeit combined with persistently high volatility. It was clear that many investors were underinvested as every setback was used as an opportunity to enter the market. Consequently, even though there was now considerable uncertainty about the eurozone's future and ongoing economic developments, there were no big price losses and all the major equity indices gained in the period up to year-end. Above all, the DAX gained 29.1 per cent. The ATX delivered an impressive annual performance of 26.9 per cent.

The DAX and ATX since 2009

Source: Reuters EcoWin.



Notes on the Group's Profit, Financial Position and Assets and Liabilities

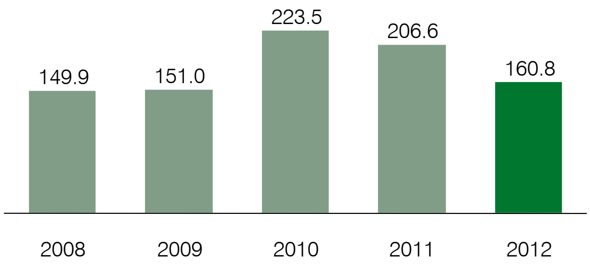
CONSOLIDATED OPERATING PROFIT IN 2012 COMPARED WITH 2011

€'000	2012	2011	Absolute +/(–) Change	Percentage +/(–) Change
Net interest income	160,835	206,567	(45,732)	(22.1)
Net fee and commission income	71,851	67,585	4,266	6.3
Net trading income	7,574	(1,634)	9,208	—
Profit from investments in entities accounted for using the equity method	93,599	120,642	(27,043)	(22.4)
Other operating profit/(loss)	(37,664)	(37,383)	(281)	(0.8)
Operating income	**296,195**	**355,777**	**(59,582)**	**(16.7)**
Staff costs	(105,927)	(100,319)	(5,608)	(5.6)
Other administrative expenses	(80,261)	(80,803)	542	0.7
Depreciation	(4,756)	(4,421)	(335)	(7.6)
General administrative expenses	**(190,944)**	**(185,543)**	**(5,401)**	**(2.9)**
Consolidated operating profit	**105,251**	**170,234**	**(64,983)**	**(38.2)**

Net interest income came to €160.8 million in 2012. As in prior years, customer operations made a strong contribution. It proved possible to maintain or slightly improve interest margins. Stiff competition was a major challenge affecting RLB NÖ-Wien's deposit operations. Low interest rates and legislative requirements dented earnings.

Net Interest Income

€m



Although 2012 was a difficult financial year, **net fee and commission income** was very satisfactory at €71.9 million. Above all, credit and payment operations developed well, underscoring customer confidence in the quality of RLB NÖ-Wien's services. Despite the tough conditions, earnings from securities operations were also nearly as high as in the previous year.

Following a loss in 2011, **net trading income** recovered, coming to positive €7.6 million in 2012.

Profit from investments in entities accounted for using the equity method fell in 2012. Once again, the crucial factor was the profit of the *Raiffeisen Zentralbank Österreich AG Group* (RZB Group), which declined in 2012. In addition, in 2011, this line item included our interest in the profits of the subsidiaries *Raiffeisenbank a.s.*, Prague, and *Tatra banka a.s.*, both of which were sold in December 2011.

Other operating profit/(loss) came to negative €37.7 million in 2012. This total includes profit of €16.0 million from derivative financial instruments that were neither held for trading nor hedging instruments within the meaning of IAS 39. Outlay on damage events and actual and contingent liabilities arising from potential customer complaint claims came to €51.4 million. In addition, this line item also includes income from reimbursements of costs in connection with products and services provided to members of the *Raiffeisen* organization and expenditure on the bank levy. The latter was increased by 25 per cent in 2012 and thus cost €19.1 million.

The items listed above resulted in **operating income** of €296.2 million in 2012.

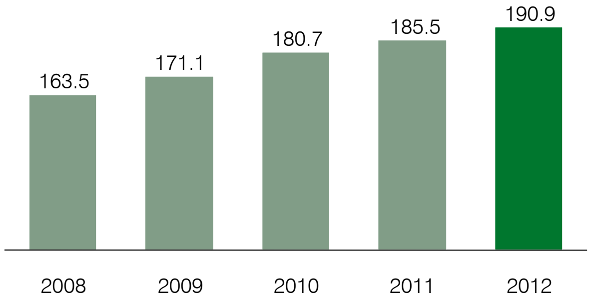
Operating Income

€m

General administrative expenses came to €190.9 million during the 2012 financial year. The increase compared with the previous year was small, confirming the effectiveness of RLB NÖ-Wien's strict cost management. It was particularly evident in the line item *Other administrative expenses*, which was actually slightly down on the previous year.

Despite the continuation of the financial crisis, RLB NÖ-Wien made a consolidated operating profit of €105.3 million in 2012.

General Administrative Expenses
€m

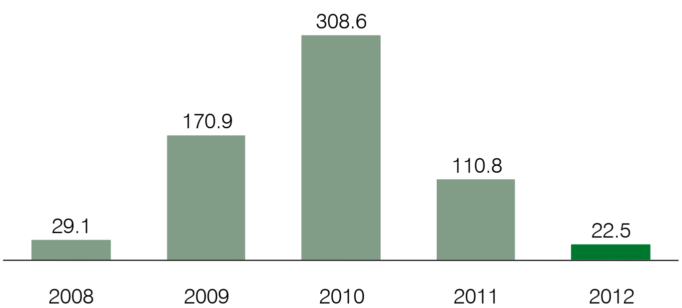


€'000	2012	2011	Absolute +/(–) Change	Percentage +/(–) Change
Consolidated operating profit	105,251	170,234	(64,983)	(38.2)
Impairment allowance balance	(56,445)	(57,019)	574	1.0
Profit/(loss) from financial investments	(31,968)	(4,495)	(27,473)	<(100)
Profit for the year before tax	**16,838**	**108,720**	**(91,882)**	**(84.5)**
Income tax	5,660	2,087	3,573	>100
Profit for the year after tax	**22,498**	**110,807**	**(88,309)**	**(79.7)**
Minority interests in profit	7	1	6	>100
Consolidated Net Profit for the year	**22,505**	**110,808**	**(88,303)**	**(79.7)**

The retention of a conservative risk policy kept the **impairment charge on loans and advances** virtually static on the previous year at €56.4 million.

Profit/(loss) from financial investments was mainly a reflection of the following profit and loss factors: Financial instruments designated as at fair value through profit or loss generated earnings of €59.8 million. On the other hand, the sale of *Raiffeisen Bank Zrt.* (Hungary) and ceasing to account for our interest in RBI using the equity method had a negative one-off effect of €59.8 million. In addition, the sovereign crises in Southern Europe and the banking crisis necessitated corresponding impairment allowances on a number of securities.

Consolidated Net Profit for the Year
€m



In all, despite the difficult market environment and the current state of the economy, **consolidated net profit for the year** 2012 came to €22.5 million. **Other comprehensive income** came to €194.7 million. This was mainly a reflection of the recovery in the value of securities classified as available for sale, which contributed earnings of €137.0 million, and the Group's interest in the other comprehensive income of the entities accounted for using the equity method (primarily the RZB Group) in the amount of €80.3 million. The overall result was very satisfactory comprehensive income of €217.2 million.

SEGMENTAL REPORT

The RLB NÖ-Wien Group is subdivided into the segments listed below. Segmentation takes place in line with the assignment of profit or loss to the divisions responsible for customer care, reflecting RLB NÖ-Wien's strict customer orientation. Segmental reporting in accordance with IFRS 8 is based on the RLB NÖ-Wien Group's internal management reporting system.

- Personal and Business Banking Customers (Retail Banking)
- Corporate Customers
- Financial Markets
- Investments
- Management Services

The **Personal and Business Banking Customers (Retail Banking)** segment encompasses retail business carried on by the Group's Viennese branches, which service personal banking, trade and business and self-employed customers. Within this segment, the Group provides its customers with banking products and services, including in particular investment and loan advice services; the Group's private banking teams provide professional advice to high net worth personal banking customers in Vienna; and the Group's centres of excellence for trade and business customers give support to small and medium-sized enterprises in Vienna. Profit for the year before tax in this segment came to €20.1 million in 2012, compared with €25.3 million in 2011. The sharp drop in interest rates—above all short-term interest rates—reduced deposit margins. The competition for deposits between banks heightened the pressure on margins. The increase in net fee and commission income to €34.3 million, as against €32.8 million in 2011, had a positive impact. It helped this segment achieve a return on equity before tax of 12.6 per cent (2011: 15.1 per cent). The segment's cost:income ratio went from 74.0 per cent in 2011 to 78.3 per cent in 2012.

The **Corporate Customers** segment delivered an excellent profit performance in 2012. The keys to this segment's success were made-to-measure products and solutions and close attention to the needs of corporate customers in the *Centrope* region. The Group continued to pursue a consistent business acquisition strategy at the same time as deepening its relationships with existing customers. The Group's business policy in the corporate customers segment led to another increase in business volumes and another advance in net interest income, which increased by €17.0 million to €140.8 million. In the absence of the previous year's high risk charges, net interest income after the impairment charge increased by €21.1 million. Profit for the year before tax in the corporate customers segment came to €79.3 million, compared with €60.1 million in 2011. With equity employed of €758 million, the segment delivered a return on equity before tax of 10.5 per cent (2011: 7.5 per cent).

The **Financial Markets** segment made a positive overall contribution to profit of €40.1 million in 2012. Derivative financial instruments that were neither held for trading nor hedging instruments within the meaning of IAS 39 made a significant positive contribution to the line item *Other operating profit/(loss)*. Financial instruments designated as at fair value through profit or loss in contributed €59.8 million to the line item *Profit/(loss) from financial investments*. On the other hand, net interest income fell sharply, declining by €50.9 million. Since interest rates as a whole fell to historically low levels, opportunities to increase so-called *structural income* were limited.

The **Investments** segment contributed negative €38.7 million to the RLB NÖ-Wien Group's profit for the year before tax. *Profit/(loss) from financial investments* fell sharply versus the 2011 to negative €62.9 million. This total includes a special item in the amount of negative €59.8 million that accounts for the effects on profit or loss of selling to the RZB Group RLB NÖ-Wien's stake in *Raiffeisen Bank Zrt.* (Hungary) and of ceasing to exercise a significant influence over RBI. In 2011, a gain of €48.8 million was realized on the sale of RLB NÖ-Wien's investments in *Raiffeisenbank a.s.*, Prague, and *Tatra Banka a.s.* Once again, the RZB Group's consolidated net profit for 2012 accounted for in this segment made a significant positive contribution to profit. However, the RZB Group's contribution to RLB NÖ-Wien's profit was not as high as in the previous year.

The **Management Services** segment encompasses all the activities of the RLB NÖ-Wien Group carried out in the context of its role within the Austrian *Raiffeisen* organization—where it serves the *Raiffeisen Banks* in Lower Austria as their central institution—as well as income and expenses arising from activities carried out to support the other business segments' activities in the market. In addition, other extraordinary one-off factors that burden RLB NÖ-Wien as a whole are also accounted for here. *Other operating profit/(loss)* was €47.6 million down on the previous year. This line item includes the bank levy paid by RLB NÖ-Wien in the amount of €19.1 million, the levy having been included in this line item since 2011. Moreover, *Other operating profit/(loss)* and the *Impairment charge on loans and advances* include allowances for damage events and contingent liabilities arising from potential customer complaint claims, including pending court proceedings, in the amount of €50.0 million. As a result, here too, profit for the year before tax fell, declining by €54.4 million to negative €84.0 million.

BALANCE SHEET PERFORMANCE IN 2012

The RLB NÖ-Wien Group's **consolidated assets** came to €32,310.3 million at the end of 2012. This was €209.3 million up on the end of the previous year. The balance sheet at year-end 2012 reflected a reduction in interbank trading volumes. At the same time, customer operations on both the assets and the equity and liabilities side of the balance sheet expanded. The emphasis was always on qualitative growth.

ASSETS

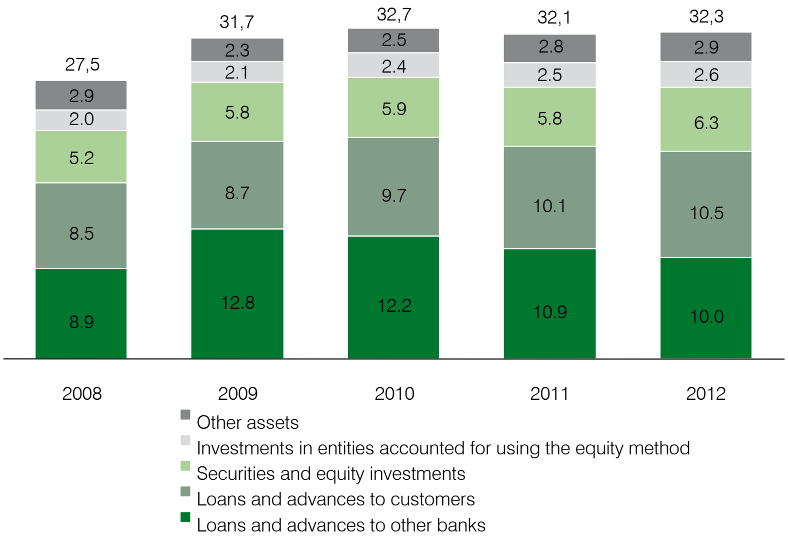
Loans and advances to other banks came to €10,042.1 million on our 2012 balance sheet date. The reduction compared with the end of the previous year was mainly due to a cut in intra-organizational receivables within the Austrian *Raiffeisen* organization, and receivables from foreign banks were also reduced.

Loans and advances to customers totalled €10,465.3 million on our 2012 balance sheet date. Although the market environment was challenging, we are pleased to report that this was 3.7 per cent up on the end of the previous year. As this shows, RLB NÖ-Wien remained a reliable partner to the economy in a difficult 2012, and it will continue be one in the future.

Because of a change in the format of the Balance Sheet in 2012, there is a new line item on the assets side of the Balance Sheet, namely **securities and equity investments**, in the amount of €6,287.6 million. In prior years, the financial instruments accounted for in that line item were included in the balance sheet line items *Financial investments* and *Other current financial assets*. Most of the growth in the line item *Securities and equity investments* was due to increases in our holdings of Austrian and German government bonds.

The line item **investments in entities accounted for using the equity method** came to €2,638.9 million. It was significantly up on the end of the previous year. This was mainly because RLB NÖ-Wien's stake in RZB increased from 31.92 per cent to 34.74 per cent during the year. On the other hand, we sold *Raiffeisen Bank Zrt.* in Hungary (year-end 2011: stake of 16.3 per cent) and we now classified our investment in RBI as a financial instrument (available-for-sale) because we no longer exercised a significant influence over RBI.

Structure of Assets on the Consolidated Balance Sheet
€bn



€m	2012	2011	Absolute +/(–) Change	Per Cent +/(–) Change
Loans and advances to other banks	10,042	10,915	(873)	(8.0)
Loans and advances to customers	10,465	10,094	371	3.7
Securities and equity investments	6,288	5,808	480	8.3
Investments in entities accounted for using the equity method	2,639	2,539	100	3.9
Other assets	2,876	2,745	131	4.8
Consolidated assets	**32,310**	**32,101**	**209**	**0.7**

EQUITY AND LIABILITIES

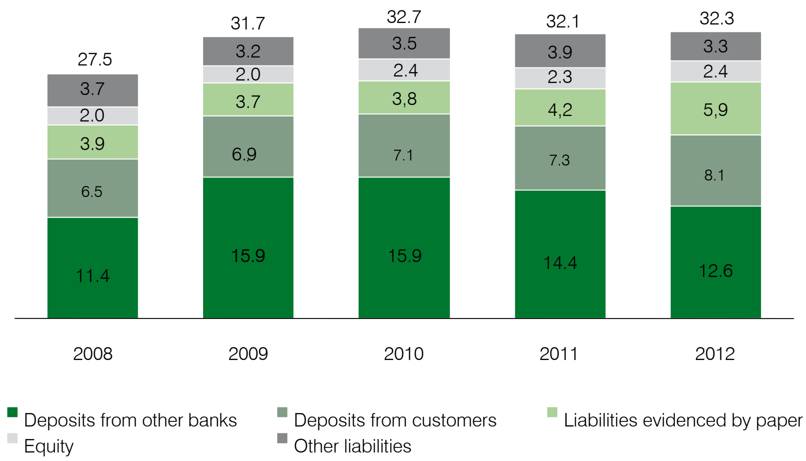
Deposits from other banks was still the biggest line item on the equity and liabilities side of the balance sheet, at €12,643.4 million. The drop compared with the end of the previous year resulted from falls in intra-organizational deposit balances and the balance of deposits from other Austrian banks.

For the first time, **deposits from customers (incl. savings deposit balances)** topped €8 billion in 2012, notwithstanding the fact that persistently low interest rates had caused a small but lasting drop in savings deposit balances.

Because of the changes in regulatory requirements, we increased **liabilities evidenced by paper** to €5,928.9 million during 2012. The main focus was on long-term securities offering attractive yields.

Despite the difficult profit situation, our **equity** increased to €2,421.7 million in 2012. In particular, the other comprehensive income contained in retained earnings developed well, increasing to €194.7 million. This was mainly thanks to the increase in the value of the available-for-sale reserve and similar developments within the RZB Group that had a proportionate impact on the RLB NÖ-Wien Group.

Structure of Equity and Liabilities
on the Consolidated Balance Sheet
€bn



€m	2012	2011	Absolute +/(–) Change	Percentage +/(–) Change
Deposits from other banks	12,643	14,429	(1,786)	(12.4)
Deposits from customers	8,090	7,294	796	10.9
Liabilities evidenced by paper	5,929	4,197	1,732	41.3
Equity	2,422	2,256	166	7.4
Other liabilities	3,226	3,925	(699)	(17.8)
Consolidated equity and liabilities	**32,310**	**32,101**	**209**	**0.7**

PERFORMANCE

The most important of the performance indicators used to make international comparisons were as follows in 2012:

The Group's **consolidated cost:income ratio**—the ratio of operating costs to operating income—came to 64.5 per cent as earnings fell significantly but the rise in operating costs was small.

As a result of the difficult market environment, the Group's **consolidated return on equity**—its return on equity based on average consolidated equity—came to just 1.0 per cent in 2012, compared with 4.8 per cent in 2011.

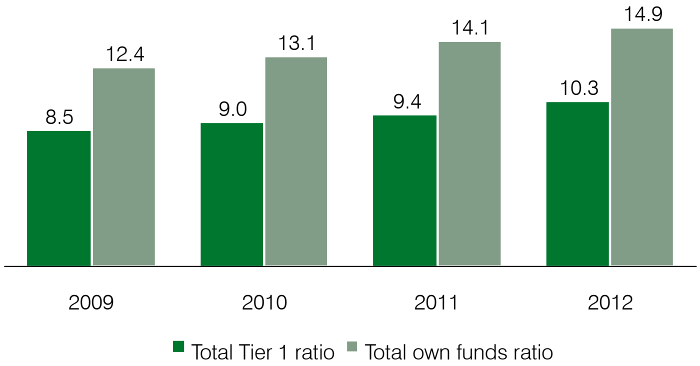
REGULATORY OWN FUNDS [1]

At 31 December 2012, the RLB NÖ-Wien Group's **regulatory own funds** for the purposes of *§ 23 Abs. 14 BWG* came to €2,115.6 million. This compared with a regulatory own funds requirement of €1,138.3 million, giving the Group surplus own funds of €977.3 million or 85.9 per cent of its own funds requirement on its balance sheet date in 2012.

The Group was able to considerably increase its **Tier 1 ratio** calculated in relation to total risk compared with the end of the previous year, taking it up to 10.3 per cent. The Group's **own funds ratio** calculated in relation to total risk was a pleasing 14.9 per cent, compared with 14.1 per cent at the end of 2011. Both indicators were thus well above the legislative minimum requirements, which were 4.0 per cent and 8.0 per cent, respectively. (See note (48) *Regulatory own funds*.)

Own Funds

%



[1] Since 2012, regulatory own funds have been presented in the Consolidated Financial Statements at the level of the individual institution. Because the difference compared with the calculation of own funds in accordance with *§ 23 BWG* (at the level of the individual institution) would be immaterial, a voluntary presentation for informational purposes of a *Kreditinstitutsgruppe* (credit institution group) in accordance with *§ 24 BWG* in conjunction with *§ 30 BWG* has not been provided for RLB NÖ-Wien.

The Internal Control System for the Financial Reporting Process

The Managing Board of RLB NÖ-Wien has put in place an effective and appropriate internal control system (ICS) for the financial reporting process. The Supervisory Board monitors the effectiveness of this internal control system.

The internal control system for the financial reporting process is designed to ensure reasonable reliability during the preparation and fair presentation of published annual financial statements, consolidated financial statements and financial information in accordance with the legislative requirements and provisions under EU law contained in BWG (the Austrian banking act), UGB (the Austrian enterprises code) and the IFRSs.

THE CONTROL ENVIRONMENT

As a result of the specified controls, the internal control system is an integral part of the Group's technical and organizational processes. It ties together risk and compliance and ensures that adequate controls are implemented and correctly carried out based on the identified relevant risks. The concepts underlying the system and its framework are laid down, with mandatory effect, in the IKS-Handbuch (ICS Manual) on the basis of Managing Board decisions. The Supervisory Board and Managing Board rely on the support of experts, including, in particular, the experts in Overall Bank Management/Finance (GBF)—which is a Head Office department—as the unit responsible for the financial reporting process and the ICS in that connection, in coordination with the Overall Bank Risk Department as RLB NÖ-Wien's ICS unit.

RISK ASSESSMENT

The material risks, including, in particular, financial reporting risks, are evaluated and monitored. Account is taken of the material business processes that are typical of the enterprise and the special risks they create for the financial reporting process. A committee has been set up for this purpose within the framework of the Group's internal ICS guidelines. It is responsible for maintaining a focus on the bank's material risks (scoping).

During the financial reporting process, the following in particular harbour the risk of material reporting errors:

- estimates used when measuring the fair values of a number of financial instruments when reliable market values are not available;
- estimates used when making impairment charges for loans and advances and when making provisions;
- complex recognition and measurement policies; and
- the difficult business environment that currently prevails.

CONTROL ACTIONS

Risks are identified using a variety of very different instruments, including, for instance, the risk map, operational risk assessments and scoping. Risks are aggregated by the Overall Bank Risk Department (GBR). Control procedures are taken into account and documented during the mapping of a process within the scope of the specifications contained in the internal ICS Guideline. In particular, it is recorded:

- which risks should be limited;
- during which processes the control activities should be carried out;
- what the control activities should be; and
- by whom and how often they should be carried out.

All control actions are applied during the ongoing business process to ensure that potential financial reporting errors can be prevented or detected and corrected. Control actions also include scrutiny of the various periodic results by Management. Processes and the people responsible for them are documented and can be traced by anybody participating in a process.

IT security controls are one of the cornerstones of the internal control system. For instance, the firewalling of sensitive activities is supported by restricting the granting of IT access. On the whole, accounting and financial reporting take place on the basis of the GEBOS core banking system. The main ledger is maintained using GEBOS, which also includes the loan and deposit processing (GIRO) sub-ledger function. In addition, there are a number of other sub-ledgers such as GEOS (securities processing), Kondor (Treasury) and SAP (accounts receivable/accounts payable/asset accounting).

INFORMATION AND COMMUNICATION

GBF, which is a Head Office department, prepares the Consolidated Financial Statements in conformity with IFRSs and the provisions of UGB/BWG that must also be adhered to. In addition, a Group Management Report is prepared. This contains notes on the profit for the year in accordance with the legislative provisions. The Managing Board, which completes the Consolidated Financial Statements, submits the audited Consolidated Financial Statements to the Audit Committee.

The shareholders and general public are kept informed by the semi-annual and annual financial reports.

To enable them to exercise their monitoring and control functions in order to ensure proper financial reporting and reporting in general, comprehensive reports are provided to the Managing Board once a month and to the Supervisory Board and Audit Committee at least once a quarter. The flow of information contains calculations (balance sheet, income statement and comments on material developments) and analyses of all the different types of risk. In addition, the Managing Board receives daily treasury reports.

Employees working in Accounting are continually trained in changes in IFRS-compliant and UGB/BWG-compliant financial reporting so as to be able to detect in good time or avoid the risks of unintended reporting errors.

MONITORING

Responsibility for the proper execution of processes is regulated within the scope of the internal control system. Those responsible for a process are also responsible for setting up, carrying out and documenting process risk controls. Internal Audit (IRE), a Head Office Department, audits adherence to the internal control system. Monitoring of the effectiveness of the internal control system for the financial reporting process also falls within the scope of the audits of the Consolidated Financial Statements carried out by *Österreichische Raiffeisenverband* (ÖRV) and *KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*.

Risk Report

We refer the reader to the detailed Risk Report provided in note (29) *Risks arising from financial instruments* for notes about the RLB NÖ-Wien Group's overall financial risks and its risk management goals and methodologies.

Material Events after the Balance Sheet Date

In order to strengthen its capital structure against the backdrop of the change in regulatory requirements (Basel III), RLB NÖ-Wien decided, in February 2013, to sell roughly €1 billion of securities that were previously to be held long-term.

Branches and Offices

At year-end 2012, over 600 account managers and sales assistants were servicing RLB NÖ-Wien's customers at 66 branches and offices in Vienna. These included 48 retail banking branches, seven private banking team offices for high net worth personal banking customers and six special centres of excellence for trade and business customers. The *Raiffeisen-Mitarbeiterberatung* staff advice service was providing special services at another five locations for enterprises within the Austrian *Raiffeisen* organization and for their employees.

The Group has neither branches nor offices abroad.

Corporate customers were being serviced by some 90 account managers and sales assistants in 13 departments at our headquarters in *Raiffeisenhaus Wien*, which are located at *Friedrich-Wilhelm-Raiffeisen-Platz 1*. The Group had nearly 5,500 corporate customers. They valued the customer-orientated advice and professional processing services they were offered in the fields of classical loan and corporate customer services, special and project finance, corporate finance, acquisition finance, commercial property finance, residential construction finance, trade and export finance, documentary business, international finance and local authority and financial institutions finance.

Research and Development

Because of the industry in which we operate, we did not perform any material research or development activities.

Non-financial Performance Indicators

SERVICES RENDERED WITHIN THE AUSTRIAN RAIFFEISEN ORGANIZATION (THE 'VERBUND')

In the fulfilment of its responsibilities as a banker to the Austrian *Raiffeisen* organization (the *Verbund*), RLB NÖ-Wien gave support to the 70 independent *Raiffeisen* banks in Lower Austria by providing them with a broad range of advice and other services. These services are continually refined and optimized in line with medium-term goals that have been developed jointly for the entirety of *Raiffeisen-Bankengruppe* (RBG) *NÖ-Wien*. They range from marketing and advertising activities to providing sales support to helping *Raiffeisen* banks with their strategic, medium-term planning and restructuring projects (e.g. in connection with Basel III).

A COOPERATIVE SUPPORTIVE MISSION

In line with its cooperative supportive mission, *Raiffeisen* lives out a philosophy aimed at protecting and promoting the well-being of the individual and the region where he or she lives. Its core values are security, regionality and sustainability.

THE RAIFFEISEN CLIMATE PROTECTION INITIATIVE (RKI)

RLB NÖ-Wien is a member of the *Raiffeisen* Climate Protection Initiative (RKI), which was set up in 2007. The aim of the initiative is to increase public awareness of the challenges created by climate change and to force the pace of internal climate protection measures (recycling, use of renewable resources). The RKI is where the Austrian *Raiffeisen* organizations have joined forces to bring together their efforts to protect the environment.

The initiative focuses on the following topics:

- sustainable finance and investment;
- promoting climate protection through the use of renewable energy;
- cutting down on fossil fuels; and
- environmentally friendly, cost-optimized building and living.

RLB NÖ-WIEN'S CLIMATE PROTECTION ACTIVITIES

Raiffeisen's annual Energy Saving Day—*Energie-SparTag*—is a key initiative within RLB NÖ-Wien's package of measures to protect the environment and the climate. Free energy saving advice is provided at Raiffeisen branches during *Raiffeisen*'s *EnergieSparTag* in Lower Austria, when RLB NÖ-Wien strives to increase ecological awareness among its stakeholders. Similarly, *RBG NÖ-Wien* provides free energy efficiency advice as part of its services for companies in Vienna and Lower Austria.

RLB NÖ-Wien also lives up to its ecological responsibilities in its core operations. For instance, the financing of environmental investments is becoming more and more important. This is particularly true in the renewable energy field, which includes photovoltaic plants and wind power.

In addition, RLB NÖ-Wien offers its services as an energy contracting partner. Energy contracting is a commercially compelling model for optimizing a building's energy consumption and, in the interests of energy efficiency, its energy costs. Measures taken to boost energy efficiency also benefit the environment in that energy contracting reduces energy consumption without affecting comfort.

The measurable benefit for the environment is a substantial CO_2 saving.

On its own premises, RLB NÖ-Wien stresses the use of recyclable materials and office equipment that makes careful use of resources. In addition, employees are given an environmental bonus for using public transport and are provided with special company bicycles for getting round the local area.

SOCIAL RESPONSIBILITY

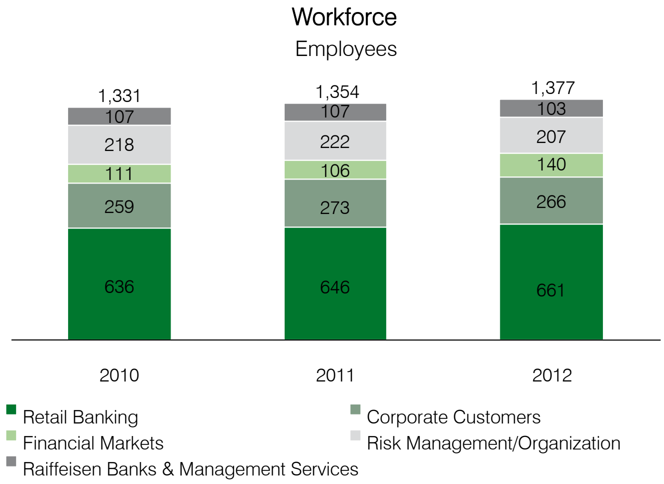
RLB NÖ-Wien supports a large number of social initiatives and facilities. The aim is to prioritize solutions that primarily promote peoples' personal responsibility and open up new possibilities for their future. These include the *Caritas* charity's 'Cardinal König' sponsorship scheme for the *Gruft* refuge ('Cooking for the Gruft').

RLB NÖ-Wien's employees demonstrated their high levels of personal commitment by cooking for the clients of the *Gruft*—a *Caritas* refuge for the homeless—within the scope of sponsorship by *Raiffeisen* and the *Kurier* newspaper as part of the 'Cardinal König' sponsorship scheme. Since the launch of this partnership in 2006, they have served roughly 27,000 helpings at nearly 150 *Raiffeisen* evening meals cooked for an average of 120 men and women. Their activities were rounded off by Christmas present collections for people staying at the *Gruft* refuge and by the organization of collections of non-financial donations at companies close to the *Raiffeisen* organization.

In addition, in the spirit of solidarity, RLB NÖ-Wien also supports activities that help people and regions affected by emergencies such as disasters, strokes of fate suffered by people through no fault of their own, long-term unemployment or physical and psychological illnesses. For instance, it supports initiatives like *Licht ins Dunkel*, *Concordia*, *NÖ Rettungshunde* (search and rescue dogs) and the *Kurier* newspaper's *Lernhaus* scheme. Moreover, as a gesture of solidarity, RLB NÖ-Wien does not send classical Christmas cards or give Christmas gifts. Instead, it gives the money to the City of Vienna. This helps people who have got into difficulties despite Vienna's dense social welfare network.

THE WORKFORCE

As a bank with a strong advisory focus, RLB NÖ-Wien continued to successfully fill vacant positions in every customer segment with quality staff. It processed over 7,000 job applications and talked to more than 1,200 applicants (during either individual job interviews or assessment centres). 154 new staff joined RLB NÖ-Wien during 2012, increasing the workforce by 12 employees and 11 apprentices compared with 2011. This gave us a total of 1,377 active employees at year-end.



Employee Data	2012	2011
Resignations by employees, per cent	4.9	5.9
Average days of unused vacation	7.0	6.9
Average sick days per employee	7.0	7.1
Average age	38.0	37.8
Average years of service	11.0	10.8
Trained employees, per cent	79.4	83.2
Average training days per employee	5.5	5.1
Proportion of women, per cent	57.8	57.2
Proportion of university or college graduates, per cent	29.9	30.3
Number of applications	7,083	7,290
Job interviews and assessment centers	1,251	1,580

From their first day at work, employees' development is fostered by an intensive training programme made up of on-the-job training and seminars. Mentorships play a special role, making sure that new employees fulfil their potential more rapidly. The induction scheme for new staff members makes an important contribution to their integration. It consists of a Welcome Day and being greeted personally by the Managing Board on the day of their induction.

During the financial year, the Group took on 11 more apprentices in Vienna and 10 in Lower Austria as part of its apprenticeships offensive. Apprentices are given intensive practical in-branch training supported by a mentor combined with training at MODAL—RBG NÖ-Wien's training centre—and studies at a vocational school. To supplement their intensive training, we launched a new training process called *Sozial.Genial* or 'Social.Genius' in the autumn. This made RLB the first company to enter into a partnership with the *youngCaritas* charity. Apprentices who are interested in this scheme become involved in a variety of campaigns and institutions run by *Caritas sozial*. Apprentices who can show that they have done 52 hours of voluntary social work receive a certificate to confirm the development of their social skills. The scheme was kicked off by a campaign called *Kilo gegen Armut* (Kilos against Poverty) during which 25 apprentices collected a ton of food for people in need.

When recruiting staff, RLB NÖ-Wien continued to attach great importance to collaborating with secondary schools, universities and vocational colleges. Lectures by management staff, job application coaching and RLB NÖ-Wien's presence at professional fairs also helped us increase our attractiveness as an employer. In addition, we professionalized our presence in the social media (Facebook) and entered into a partnership with *Career Moves* so as to be able to directly address job seekers with limitations. *Karrieretalk* sessions with over 200 school pupils again proved to be a highly successful positioning and recruiting instrument. Furthermore, we stepped up our cooperation with a number of commercial colleges in Vienna by way of the FIRI (financial and risk management) programme, which makes it possible for students to specialize in banking and actuarial science.

Management training honed the management skills of the 58 existing and prospective management personnel who successfully completed our tried-and-tested *Pool*, *Team Captain* or *Professionalität in der Führung* (professionalism in management) programmes. The first participants completed the newly conceived *Chancenprogramm* (opportunities programme), which is a joint programme carried out by RLB NÖ-Wien and *RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung* (*Raiffeisen-Holding NÖ-Wien*). Moreover, we created a *Female Empowerment* course for the personal and business banking segment which is designed solely for women. Finally, mentor-based training courses, training courses for deputy branch managers and the Group's trainee programme for young college and university graduates helped ensure the sustained promotion and development of new management staff and top account managers.

In the course of 2012, RLB NÖ-Wien's Personnel Department also set new accents in the internal transfer of knowledge. For instance, it introduced special training for tellers during which experienced colleagues shared their know-how at day-long workshops. In addition, special 'Best Service', 'Youth Support' and 'Ethnobanking' officers were created in the personal banking sections at our city district offices. The Personnel Department trained the employees nominated for this purpose in the role and methods of knowledge transfer.

RLB NÖ-Wien's personnel management activities particularly prioritized employee satisfaction. The Group's feedback culture was reinforced with the help of a feedback instrument called *Raiffeisen-Wertebarometer* (Raiffeisen Values Barometer), which is founded on the *Raiffeisen* values. This involved reflecting on feedback during personal feedback meetings and then deciding on suitable measures. The average overall score was a pleasing 1.8 (based on Austria's school marking system of between 1 for a distinction and 5 for a fail). Furthermore, a sentiment barometer was employed as an instrument in five Head Office departments. The results were discussed directly in the departments concerned after each quarterly survey.

An electronic personnel information system for management staff was put into operation within the framework of our new P&I personnel software. It provides a graphic depiction of employee data and the job description landscape. This daily source of information was presented to the members of the Managing Board of RLB NÖ-Wien and the management of *Raiffeisen-Holding NÖ-Wien* as well as the management personnel in the second tier of management to serve as a basis for personnel decisions.

Having completed our new 'Life Balance Centre' project during 2012, the Personnel Department assumed overall responsibility for every aspect of our employees' psychological and physical wellbeing. Furthermore, a health and fitness programme was agreed with *Turn- und Sportunion Raiffeisen NÖ-Wien* and the Staff Council. The Personnel Department drew up a one-year plan for 2013 based on our regular offerings of expert lectures on health and fitness related topics. At the same time, staff were offered preventative check-ups, and nearly 500 employees took the opportunity to have their health assessed.

SAFETY AND SECURITY

Ensuring that people are safe and secure is becoming increasingly important, so this is also an area in which RLB NÖ-Wien is playing a role in partnership with the police. Among other things, it awards the *Sicherheitsverdienstpreise* (security prizes of honour) for Vienna and Lower Austria, which are given to both law enforcement officers and civilians.

CULTURE

Going beyond the bounds of its commercial activities, RLB NÖ-Wien supports numerous cultural activities. It is a partner of *Theater in der Josefstadt*, *Volksoper* and *Wiener Lustspielhaus*. In Lower Austria, its support of *Musikfestival Grafenegg* within the scope of its collaboration with *Niederösterreich-Kultur* (NÖKU) and its support of *Donaufestival*, *Festspielhaus St. Pölten* and *Kunstmeile Krems* stand out. In addition, it began a partnership with Vienna's Jewish Museum in 2011.

SPORT

RLB NÖ-Wien's sport sponsoring activities focus mainly on team sports. For instance, RLB NÖ-Wien sponsors the *Raiffeisen Vikings* (American football), the *Aon Fivers* (handball) and the *Austria Wien* football club. In addition, RLB NÖ-Wien helps support the annual *Wien Energie Business Run*. In 2012, 994 employers sent their sporting employees to this running event. A total of over 20,000 participants signed up for the 12th Business Run, and *Raiffeisen* alone accounted for 933 runners.

INTEGRATION

RLB NÖ-Wien has been leading the way in integration since 2009. Integration is essential both to society and to the economy. The *Wirtschaft für Integration* (business for integration) society was set up at the suggestion of RLB NÖ-Wien's Deputy CEO Georg Kraft-Kinz. This charity's patrons are Michael Häupl (Mayor of Vienna) and Christian Konrad (Chairman of the Supervisory Board of RLB NÖ-Wien). *Wirtschaft für Integration* is a platform for top managers and business proprietors that takes essential action to address the issue of integrating people who have immigrated or are immigrating to Austria in a way that reflects their true potential. *Wirtschaft für Integration*'s basic funding is provided by RLB NÖ-Wien.

OUTLOOK FOR 2013

THE ECONOMIC ENVIRONMENT

GDP growth figures for 2013 according to the IMF's January 2013 forecast:

- World: 3.5 per cent
- China: 8.2 per cent
- United States: 2.0 per cent
- Japan: 1.2 per cent
- Eurozone: negative 0.2 per cent
- Austria: 1.0 per cent (WIFO forecast in March 2013)

Global GDP is expected to return to growth as strong as the average over the past 20 years (3.5 per cent) in 2013. Once again, China will make an essential contribution, even though the new leadership has already signalled that it will, in future, be aiming for slower but better quality growth. The Chinese GDP growth forecast of 8.2 per cent is also well below its average rate of growth over the past 10 years, which was about 10 per cent. Given the breakdown of negotiations in the budget dispute, it is more than doubtful whether the growth forecast for the United States can be fulfilled. In view of the prescribed spending cut of US$85 billion, hundreds of thousands of jobs are at risk and the already slow economic recovery is likely to slow even more. As long ago as in February, the IMF announced that it will reduce its growth forecast by at least 0.5 percentage points if all the spending cuts actually happen.

The debt crisis and the political uncertainty surrounding elections—above all elections in Italy and Germany—will shape the year 2013. For example, the results of the parliamentary elections in Italy at the end of February 2013, which will make it difficult or even impossible to form a government, triggered sharp corrections in the financial markets. The situation in Cyprus is also causing uncertainty. Following the rejection of the EU rescue package in the middle of March, the country is now facing bankruptcy. However, the collapse of the monetary union can be ruled out now that the ECB itself has undertaken to do everything it can to ensure the euro's continuation. This should suffice to relieve the economic paralysis caused by the sovereign debt crisis. A number of leading indicators have already signalled the trend reversal. As a result, there is real hope that the economies of the core euro countries will recover noticeably in the course of the year. However, the adjustment process in the southern peripheral countries will take longer. Budgetary consolidation and the restoration of competitiveness with the help of wage and/or job cuts will lead to further massive drops in domestic demand. According to EU Commission forecasts, GDP will go on falling in Italy, Spain, Portugal and Greece in 2013. The core countries will be unable to make up for these contractions, so GDP in the eurozone as a whole is likely to shrink slightly. The IMF expects a decline of 0.2 per cent.

According to WIFO estimates, Austria will be one of the eurozone's economic engines in 2013. Following a modest (real) increase of about 0.2 per cent in 2012, goods exports from Austria should now pick up by nearly 4 per cent. WIFO is predicting GDP growth of 1.0 per cent for the year as a whole.

There is also a positive side to the modest economic growth that is currently being predicted. Subdued demand combined with an absence of wage push keeps inflation low. The ECB expects the rate of inflation to fall below the price stability mark of about 2 per cent in 2013. Although inflationary concerns are frequently raised about the ECB's new bond buying programme and its very low main interest rate, the real economy's weak development and lending's failure to take off mean that there is no justification for these concerns in the medium term.

RLB NÖ-WIEN—FOCUSED ON CUSTOMERS

RLB NÖ-Wien is continuing consistently on its successful path as the *Centrope* region's customer orientated bank. This means that we will maintain our focus on selective growth in the corporate customers segment and on continuing to enlarge our retail customer base. Lending to businesses and giving support to our customers in every field of financial services are and will remain at the heart of our strategy as the 'Best Advisor Bank'.

AN IMPORTANT PART OF THE RAIFFEISEN BANKING GROUP

RLB NÖ-Wien is an important part of RBG and—as the central institution of the *Raiffeisen Banks* in Lower Austria—a dependable partner when it comes to meeting regulatory requirements and completing upcoming IT projects. The strategic *Eine IT für Raiffeisen Österreich* (one IT system for *Raiffeisen* Austria) project described below is entering the test phase, and close cooperation between all those taking part will ensure its success. Moreover, as RZB's biggest shareholder, RLB-NÖ Wien will be contributing to the success of RBG as a whole.

THE RAIFFEISEN ORGANIZATION'S 'ONE IT' PROJECT

The *Eine IT für Raiffeisen Österreich* project was launched in 2009. It will permit cost effective cooperation across Austria's regional borders, giving even greater strength to *Raiffeisen*'s already outstanding market position throughout Austria. The increases in efficiency that this project should generate will enable the organization to work with a modern IT system at a lower cost in the future.

The two participating software houses—*RACON Software Gesellschaft m.b.H.* (RACON) and *Raiffeisen Software Solution und Service GmbH* (RSO)—made a great deal of progress in 2011 and 2012. As a result, it will be possible to start broad testing of the shared software system of the future during 2013. Extensive preparations are needed within our IT infrastructure to ensure that the shared IT solution works faultlessly. The shared infrastructure projects began in the second half of 2011. A new '*Raiffeisen* client'—that is, a new PC workstation that will be identical everywhere in Austria—is under development, as is a new '*Raiffeisen* server' on which the harmonized banking software will run in the future.

A MEDIUM-TERM STRATEGIC PROJECT

RLB NÖ-Wien and an external strategic consultancy company have been working to achieve another increase in profitability during the first half of 2013. The aim of this project is to boost the profitability of our business segments and to optimize the organization of the enterprise to prepare it for future challenges.

RAIFFEISEN STANDS FOR TRUST

The Raiffeisen brand has remained *the* banking brand of trust even in uncertain economic times. The RLB NÖ-Wien Group will continue to earn this trust in 2013 and will be there for its customers. '*Wien erobern*' (conquering Vienna) is the Group's ambitious motto, and it will come a step closer to fruition with the help of the events RLB NÖ-Wien will be holding and the many contacts it will be cultivating during 2013. The RLB NÖ-Wien Group's exceptional customer orientation and close contacts with its customers go hand in hand with a business policy that focuses on sustainability and stability, creating an outstanding point of departure for the year 2013.

RLB NÖ-Wien expects its balance sheet total to remain stable during 2013. There will be selective growth in the corporate customer and retail banking segments. Together, consistent sales recommendation management, the acquisition of new customers and the cultivation of existing customers to make RLB NÖ-Wien their principal banking provider should ensure the RLB NÖ-Wien Group's sustained growth and make certain that its positive business development continues.

ORGANIZATIONAL STRUCTURE

(As at 31 December 2012)

Personal and Business Banking Customers (Retail Banking) Georg Kraft-Kinz	Corporate Customers Reinhard Karl	Financial Markets Gerhard Rehor	Risk Management & Organization Michael Rab	Raiffeisen Banks & Management Services Klaus Buchleitner
SD Retail Banking City-Nord Ingrid Blaschka	Corporate Customers Lower Austria Hermann Kalenda	Treasury Tim Geissler	Overall Bank Management & Finance Stefan Puhm	Raiffeisen Banks Service Johannes Bernsteiner
SD Retail Banking East Erwin Wesel	Corporate Customers Vienna Michaela Rammel	Product Management Regina Reitter	Overall Bank Risk Management Oliver Schmölzer	Marketing Wilfried Hanreich
SD Retail Banking South Ludwig Kremser	Special and Project Finance Gerhard Riedel	Financial Markets Consulting Werner Serles	Organization and IT Markus Wollner	Internal Audit** Josef Piewald
SD Retail Banking West Robert Fischer	International Operations Felix Mayr		Rehabilitation and Restructuring Peter Ramsauer	Personnel Norbert Wendelin
SD Private Banking Christian Ohswald	Loan Back Office Gernot Hoffelner			Investments Veronika Haslinger
SD Trade and Business Customers Gaston Giefing	Centrope Region Andreas Hopf			Public Relations Michaela Stefan
SD Staff Advisory Service, Vienna Andreas Toifl	Legal Affairs Matthias Writze			Compliance Officer* Thomas Heinrich
Sales Management Vienna Manfred Aschauer				Money Laundering Officer Judith Kaggl

* Reports directly to the Managing Board as a whole and works directly under it.
** Reports to the Managing Board as a whole in accordance with BWG (organizational assignment to the RMS business group).

Vienna
25 March 2013

The Managing Board

Klaus BUCHLEITNER
CEO

Georg KRAFT-KINZ
Deputy CEO

Reinhard KARL
Member of the Managing Board

Gerhard REHOR
Member of the Managing Board

Michael RAB
Member of the Managing Board

IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS

A. Consolidated Statement of Comprehensive Income

CONSOLIDATED INCOME STATEMENT

€'000	Note	2012	2011*
Interest income	(1)	692,785	754,528
Interest expenses	(1)	(531,950)	(547,961)
Net interest income	**(1)**	**160,835**	**206,567**
Impairment allowance balance	(2)	(56,445)	(57,019)
Net interest income after impairment charge		**104,390**	**149,548**
Fee and commission income	(3)	99,817	94,976
Fee and commission expenses	(3)	(27,966)	(27,391)
Net fee and commission income	**(3)**	**71,851**	**67,585**
Net trading income	(4)	7,574	(1,634)
Profit from investments in entities accounted for using the equity method	(5)	93,599	120,642
Profit/(loss) from financial investments	(6)	(31,968)	(4,495)
General administrative expenses*	(7)	(190,944)	(185,543)
Other operating profit/(loss)*	(8)	(37,664)	(37,383)
Profit for the year before tax		**16,838**	**108,720**
Income tax*	(10)	5,660	2,087
Profit for the year after tax		**22,498**	**110,807**
Minority interests in profit		7	1
Consolidated net profit for the year		**22,505**	**110,808**

* Figures for the previous year have been restated in accordance with IAS 8. Details are provided in the section on *Changes in Recognition and Measurement Policies*.

RECONCILIATION TO CONSOLIDATED COMPREHENSIVE INCOME

	Attributable to Equity Holders of the Parent		Minority interests	
€'000	2012	2011 *	2012	2011
Consolidated net profit for the year	**22,505**	**110,808**	**(7)**	**(1)**
Cash flow hedge reserve	5,825	(267)	0	0
Available-for-sale reserve	136,979	(94,810)	0	(3)
Actuarial gains and losses on the revaluation of provisions for staff benefits*	(18,342)	5,823	0	0
Enterprise's interest in other comprehensive income of the entities accounted for using the equity method	80,330	(62,345)	0	0
Deferred taxes*	(10,120)	1,779	0	0
Other comprehensive income	**194,672**	**(149,820)**	**0**	**(3)**
Consolidated comprehensive income	**217,177**	**(39,012)**	**(7)**	**(4)**

* Figures for the previous year have been restated in accordance with IAS 8. Details are provided in the section on *Changes in Recognition and Measurement Policies*.

B. Consolidated Balance Sheet

Assets, €'000	Note(s)	2012	2011*	2010*
Cash and balances with the central bank	(12)	679,031	56,412	42,837
Loans and advances to other banks	(13, 32, 33)	10,042,074	10,915,248	12,188,513
Loans and advances to customers	(14, 32, 33)	10,465,262	10,093,695	9,680,435
Impairment allowance balance	(15, 33)	(318,678)	(290,935)	(299,122)
Trading assets	(16, 32, 33)	521,400	566,138	588,348
Securities and equity investments*	(17, 32, 33)	6,287,562	5,808,293	5,869,268
Investments in entities accounted for using the equity method		2,638,914	2,539,149	2,384,329
Intangible assets	(18)	8,780	7,839	5,947
Property and equipment	(19)	8,243	8,533	8,879
Other assets*	(20, 33)	1,977,729	2,396,668	2,212,140
Consolidated assets		**32,310,317**	**32,101,040**	**32,681,574**

Equity And Liabilities, €'000	Note(s)	2012	2011*	2010*
Deposits from other banks	(21, 32, 33)	12,643,370	14,429,457	15,899,314
Deposits from customers	(22, 32, 33)	8,089,621	7,294,376	7,071,160
Liabilities evidenced by paper	(23, 32, 33)	5,928,916	4,196,777	3,843,953
Trading liabilities	(24, 32, 33)	301,068	457,637	242,383
Other liabilities	(25, 33)	2,060,363	2,672,702	2,428,127
Provisions*	(26, 33)	157,658	89,297	81,764
Subordinated debt capital	(27, 32, 33)	707,606	704,425	753,739
Equity*	(28)	2,421,715	2,256,369	2,361,134
Attributable to equity holders of the parent*		2,421,659	2,256,277	2,361,035
Minority interests		56	92	99
Consolidated equity and liabilities		**32,310,317**	**32,101,040**	**32,681,574**

* Figures for the previous year have been restated in accordance with IAS 8. Details are provided in the sections on the *Change in the Format of the Balance Sheet* and *Changes in Financial Reporting Policies* and *Changes in Recognition and Measurement Policies.*

C. Consolidated Statement of Changes in Equity

€'000	Subscribed Capital	Non-voting Non-ownership Capital (*Partizipations-kapital*)	Capital Reserves	Retained Earnings	Consolidated Profit for the Year	Minority Interests	Total
Equity at 1 January 2012	**214,520**	**76,500**	**432,688**	**1,532,569**	**0**	**92**	**2,256,369**
Comprehensive income				194,672	22,505	(7)	217,170
Contractual profit transfer					(57,469)		(57,469)
Use of retained earnings				(34,964)	34,964		0
Distributions						(29)	(29)
Other changes				5,674			5,674
Equity at 31 December 2012	**214,520**	**76,500**	**432,688**	**1,697,951**	**0**	**56**	**2,421,715**

€'000	Subscribed Capital	Non-voting Non-ownership Capital (*Partizipations-kapital*)	Capital Reserves	Retained Earnings*	Consolidated Profit for the Year	Minority Interests	Total
Equity at 1 January 2011	**214,520**	**76,500**	**432,688**	**1,659,457**	**0**	**99**	**2,383,264**
Adjustments to provisions for staff benefits*				(22,130)			(22,130)
Equity at 1 January 2011 (adjusted)	**214,520**	**76,500**	**432,688**	**1,637,327**	**0**	**99**	**2,361,134**
Comprehensive income				(149,820)	110,808	(4)	(39,016)
Contractual profit transfer					(57,228)		(57,228)
Distribution in respect of non-voting non-ownership capital (*Partizipationskapital*)					(3,825)		(3,825)
Transferred to retained earnings				49,755	(49,755)		0
Distributions						(3)	(3)
Other changes				(4,693)			(4,693)
Equity at 31 December 2011	**214,520**	**76,500**	**432,688**	**1,532,569**	**0**	**92**	**2,256,369**

* Figures for the previous year have been restated in accordance with IAS 8. Details are provided in the section on *Changes in Recognition and Measurement Policies*.

The share capital of *RAIFFEISENLANDESBANK NIEDERÖSTERREICH WIEN AG* (RLB NÖ-Wien) was €214,520,100.00 (year-end 2011: €214,520,100.00). Its subscribed share capital comprised 2,145,201 (year-end 2011: 2,145,201) no-par bearer shares (*Stückaktie*) with a nominal value of €214,520,100.00 (year-end 2011: €214,520,100.00). In 2008, *RLB NÖ-Wien AG* issued 765,000 registered non-voting non-ownership 'participation' certificates (*Partizipationsschein*) within the meaning of *§ 23 Abs. 3 Z. 8.* in conjunction with *Abs. 4* and *Abs. 5 BWG*. One such certificate has a nominal value of €100.00.

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The cash flow hedge reserve and available-for-sale reserve transferred to retained earnings (in both cases, prior to the deduction of deferred taxes) and deferred taxes recognized directly through *Other comprehensive income* changed as follows:

€'000	Cash Flow Hedge Reserve	Available-for-sale Reserve	Deferred taxes
At 1 January 2012	**(28,807)**	**(113,289)**	**14,839**
Net changes in the financial year	**5,825**	**136,979**	**(10,120)**
Of which gains and losses taken to *Other comprehensive income*	7,079	105,315	
Of which the amount taken from *Other comprehensive income* and recognized in profit or loss in the financial year	(1,254)	31,664	
At 31 December 2012	**(22,982)**	**23,690**	**4,719**

€'000	Cash Flow Hedge Reserve	Available-for-sale Reserve	Deferred taxes
At 1 January 2011	**(28,540)**	**(18,476)**	**13,060**
Net changes in the financial year	**(267)**	**(94,813)**	**1,779**
Of which gains and losses taken to *Other comprehensive income*	1,113	(85,157)	
Of which the amount taken from *Other comprehensive income* and recognized in profit or loss in the financial year	(1,380)	(9,656)	
At 31 December 2011	**(28,807)**	**(113,289)**	**14,839**

Amounts charged off against the cash flow hedge reserve through profit or loss were recognized in *Net interest income*.

Breakdown of the change in deferred taxes recognized in *Other comprehensive income*:

€'000	2012	2011
Deferred taxes arising from the cash flow hedge reserve	816	(3,368)
Deferred taxes arising from the available for sale reserve	(13,989)	7,282
Deferred taxes arising from actuarial gains and losses on the revaluation of provisions for staff benefits	3,053	(2,135)
Total	**(10,120)**	**1,779**

D. Consolidated Cash Flow Statement

€'000	2012	2011
Profit for the year before minority interests	**22,498**	**110,807**
Non-cash items in profit for the year and reconciliation to net cash from operating activities:		
Write-downs/(write-ups) of property and equipment, financial investments and equity investments	(32,346)	53,116
Revaluation (gains)/losses on investments in entities accounted for using the equity method	(93,599)	(120,643)
Net creation of provisions and impairment allowances	30,331	60,184
(Gains)/losses on disposals of property and equipment, financial investments and equity investments	69,831	(65,898)
Other adjustments (net)	170,630	(257,283)
Subtotal	**167,345**	**(219,717)**
Change in assets and liabilities arising from operating activities after corrections for non-cash items:		
Loans and advances to customers and other banks	501,165	857,441
Trading assets	44,738	22,210
Other current financial assets	247,739	17,507
Other assets	375,745	(250,232)
Deposits from customers and other banks	(990,842)	(1,246,642)
Liabilities evidenced by paper	1,732,139	352,824
Trading liabilities	(156,569)	215,254
Other liabilities	(512,847)	249,506
Subtotal	**1,408,613**	**(1,849)**
Interest and dividends received	862,893	740,455
Interest paid	(708,337)	(575,383)
Income taxes paid	(54)	(3,512)
Net cash from operating activities	**1,563,115**	**159,711**
Cash receipts from sales of:		
Financial investments and equity investments	746,914	1,327,030
Property and equipment and intangible assets	100	686
Cash paid for:		
Financial investments and equity investments	(1,624,134)	(1,357,571)
Property and equipment and intangible assets	(5,506)	(6,652)
Net cash from/(used in) investing activities	**(882,626)**	**(36,507)**
Net inflows of subordinated debt capital	3,181	(49,313)
Profit transfer, incl. service of non-voting non ownership capital (*Partizipationskapital*)	(61,053)	(60,325)
Net cash from/(used in) financing activities	**(57,872)**	**(109,638)**

€'000	2012	2011
Cash and cash equivalents at end of previous period	56,412	42,837
Net cash from operating activities	1,563,115	159,711
Net cash from/(used in) investing activities	(882,626)	(36,507)
Net cash from/(used in) financing activities	(57,872)	(109,638)
Effect of exchange rate changes	2	9
Cash and cash equivalents at end of period	**679,031**	**56,412**

Cash and cash equivalents corresponds to *Cash and balances with the central bank*.

E. Notes

THE ENTERPRISE

RLB NÖ-Wien is the regional central institution of *Raiffeisen Bankengruppe (RBG) NÖ-Wien*. It is registered in the companies register (*Firmenbuch*) at Vienna trade court (*Handelsgericht Wien*) under the number FN 203160 s. The company's address is *Friedrich-Wilhelm-Raiffeisen-Platz 1*, 1020 Vienna, Austria.

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (*Raiffeisen-Holding NÖ-Wien*) is RLB NÖ-Wien's majority shareholder with a stake of 78.58 per cent. In accordance with Austrian disclosure regulations, the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien* are lodged in the companies register and published in the *Raiffeisen* newspaper. The remaining shares of RLB NÖ-Wien are held by the *Niederösterreichische Raiffeisenbanken* (Lower Austrian *Raiffeisen Banks*). As their central institution, RLB NÖ-Wien provides them with support in every area of banking.

RLB NÖ-Wien is a regional bank. In its core business segments, it operates in its regional home market—eastern Austria—and thus within the *Centrope* region, providing professional advisory services and optimum banking products. Thanks to its stake in *Raiffeisen Zentralbank Österreich Aktiengesellschaft* (RZB), it also profits from the RBG's presence in Central and Eastern Europe.

The foundation stones of RLB NÖ-Wien's banking activities are personal banking, business banking, corporate banking and proprietary operations. It provides retail banking products and services at its branches in Vienna under the slogan '*Raiffeisen in Wien. Meine BeraterBank*' (*Raiffeisen* in Vienna. My *Advisor Bank*). RLB NÖ-Wien's core strategic operations are supplemented by its participation in syndicated loan projects and its equity investments in banks and other banking-related investments.

The Fundamentals of Preparing IFRS-compliant Consolidated Financial Statements

PRINCIPLES

The Consolidated Financial Statements for the financial year 2012 with the prior-year figures for 2011 were prepared in accordance with *EU Directive (EC) 1606/2002*, as issued by the Commission on 11 September 2002, in conjunction with *§ 245a UGB* (Austrian enterprises code) and *§ 59a BWG* (Austrian banking act). All the IFRSs (International Financial Reporting Standards) and IFRIC interpretations whose application in connection with the Consolidated Financial Statements was mandatory were taken account of as adopted by the EU.

The basis for the Consolidated Financial Statements was provided by the separate financial statements of all the consolidated entities, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRSs. The effect of the unconsolidated subsidiaries on the Group's assets, liabilities, financial position and profit or loss for the purposes of the framework in IAS/IFRS F 29f *et seq* was immaterial.

With the exception of one subsidiary accounted for as of and for the period ended 31 October, the consolidated entities and the entities accounted for using the equity method prepared their annual financial statements as of and for the period ended 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between the subsidiary's reporting date and 31 December.

Unless specifically stated otherwise, the figures in these Financial Statements are in full thousands of euros (€'000). There may be rounding errors in the tables that follow.

CONSOLIDATION POLICIES

The consolidation process involves eliminating intragroup investments and equity, balances, gains and losses, income and expenses.

In accordance with *IFRS 3 Business Combinations*, the elimination of intragroup investments and equity arising from combinations took place applying the *purchase method of accounting*, acquired assets and liabilities being recognized as at the date of acquisition applying their fair values on that date. The difference between cost and the fair value of the acquired net assets was, if positive, recognized as goodwill.

Pursuant to IFRS 3, par. 55, goodwill is not amortized. Instead, it is tested for impairment once a year. Following reassessment, negative goodwill is immediately recognized in profit or loss in accordance with IFRS 3, par. 56.

Investments in entities over which the RLB-NÖ-Wien Group had a significant influence were accounted for using the equity method and recorded on the Balance Sheet in the line item *Investments in entities accounted for using the equity method*. The Group's interest in the annual profits or losses of entities accounted for using the equity method was reported in *Profit from investments in entities* *accounted for using the equity method*. The Group's interest in the other comprehensive income of entities accounted for using the equity method was reported in *Other comprehensive income*. The same rules were applied to investments in entities accounted for using the equity method (date of first-time consolidation, calculation of goodwill or negative goodwill) as to investments in subsidiaries. The basis for recognition was provided by the respective financial statements of the entities accounted for using the equity method. If an entity accounted for using the equity method deviated from Group-wide recognition and measurement policies in respect of similar transactions and events, appropriate adjustments were carried out.

Investments in other entities were recognized at market or fair value, or, if a market value was not available and a fair value could not be determined reliably, at cost less any impairment.

During the elimination of intragroup balances, intragroup receivables and payables were eliminated.

Intragroup gains and losses were eliminated if their effect on line items in the Income Statement was material. Banking business between the individual companies within the Group was conducted on arm's length terms.

Expenses and income resulting from transactions between consolidated entities were eliminated.

SCOPE OF CONSOLIDATION

The scope of consolidation of the RLB NÖ-Wien Group included all of the following Group members, in which RLB NÖ-Wien held direct or indirect interests of more than 50 per cent or over whose operating and/or financial policies it had a controlling influence:

- *RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG* (Group parent)
- *RLB NÖ-Wien Holding GmbH*
- *RLB NÖ-Wien Sektorbeteiligungs GmbH*
- *RLB Ostbankenholding GmbH*
- *„ARSIS" Beteiligungs GmbH*
- *„BARIBAL" Holding GmbH*
- *Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs AG*

The number of consolidated entities and entities accounted for using the equity method changed as follows:

	Consolidated		Equity Method	
Number of Entities	2012	2011	2012	2011
At 1 January	**11**	**11**	**4**	**6**
Changes in the financial year	(5)	0	(2)	(2)
At 31 December	**6**	**11**	**2**	**4**

The number of consolidated subsidiaries was reduced by five (*Tatra Holding GmbH*, *„EXEDRA" Holding GmbH*, *„FIBULA" Holding GmbH*, *Acceptia Holding GmbH* and *VAKS - Veranstaltungskartenservice Ges.m.b.H.*) during 2012. These companies were merged in the course of intra-group restructuring carried out to simplify the structure of investments within the Group.

Twenty-two subsidiaries (2011: 21 subsidiaries) were not consolidated because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were accounted for in the line item *Securities and equity investments* at cost less any impairments as *Investments in subsidiaries*. The assets of the non-consolidated subsidiaries came to less than 1 per cent of the Group's aggregated assets.

Entities over whose operating and/or financial policies the RLB NÖ-Wien Group had a significant influence were accounted for using the equity method. At 31 December 2011, they were *RZB* and *Raiffeisen Informatik GmbH*.

In the first half of 2012, RLB NÖ-Wien increased its stake in RZB to 34.74 per cent during a capital increase. RZB's preference shares were converted into ordinary shares and the non-voting non-ownership capital (*Partizipationskapital*) was repaid. Besides a direct interest of 0.53 per cent (year-end 2011: 0.58 per cent), RLB NÖ-Wien held an indirect interest of 34.21 per cent in RZB via *RLB NÖ-Wien Holding GmbH* (year-end 2011: 31.34 per cent).

In addition, RLB NÖ-Wien sold to the RZB Group its indirect interest in *Raiffeisen Bank Zrt.* (Hungary), which it held via *Raiffeisen-RBHU Holding GmbH* and which had previously been accounted for using the equity method (year-end 2011: 16.23 per cent).

The RLB NÖ-Wien Group held an interest of 47.75 per cent in *Raiffeisen Informatik GmbH* (year-end 2011: 47.75 per cent). Furthermore, the RLB NÖ-Wien Group held an interest of 0.54 per cent in RBI (year-end 2011: 0.54 per cent). Because we no longer exercised a significant influence, this company was removed from the list of entities accounted for using the equity method as of 31 December 2012.

In view of changed circumstances—including, in particular, the sale of our interests in three banks in Eastern Europe (Czech Republic and Slovakia back in 2011, most recently Hungary in December 2012)—we reviewed, taking an overall view of all the evidence, our ability to exercise a significant influence. Exercising its discretion regarding the assessment of significant influence, the Managing Board of RLB NÖ-Wien judged that it was no longer possible to exercise a significant influence over RBI at 31 December 2012. Consequently, as of 31 December 2012, the method of measuring the stake in RBI had to be changed. Instead of the equity method being used in accordance with IAS 28, this stake is now classified as an available-for-sale financial instrument recognized at the available stock exchange price in a liquid market. Recognition was changed from the line item *Entities accounted for using the equity method* to *Securities and equity investments*. The effect on profit or loss of this change was recognized in *Profit/(loss) from financial investments*.

Investments in eleven associates (2011: 10 associates) were not accounted for using the equity method because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were recognized in the line item *Securities and equity investments* at cost less any impairment. Viewed together and based on current data, the immaterial associates would have changed the Group's consolidated equity and consolidated assets by less than 1 per cent had they been accounted for using the equity method

No financial statements prepared in a foreign currency required consolidation. A list of consolidated entities, investments in entities accounted for using the equity method and other equity investments is provided in the *Overview of Equity Investments*.

Recognition and Measurement Policies

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. According to IAS 39, all financial instruments must be recognized on the Balance Sheet at their fair value at the date of acquisition. This is usually the transaction price, which corresponds to the fair value of the consideration given or received. Financial instruments must be divided into defined categories. Their subsequent measurement will depend on the classification carried out.

The following measurement categories result:

At fair value through profit or loss: Financial assets or liabilities at fair value through profit or loss are financial instruments either, on initial recognition, classified by the entity as held for trading or designated as at fair value through profit or loss.

- Financial assets and financial liabilities classified as financial instruments held for trading serve the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Instruments held for trading were measured at fair value, revaluation gains and losses being recognized in profit or loss. Liabilities held for trading also belong to this valuation category.

- Upon initial recognition, financial assets, financial liabilities and groups of financial instruments (financial assets, financial liabilities or a combination of the two) were designated as financial instruments at fair value through profit or loss if more relevant information could be communicated that way.

This requirement is met if such a designation eliminates or substantially reduces mismatches in measurement or approach (accounting mismatches).

Assignment to this category also took place if financial assets and/or financial liabilities (including derivatives) were managed on the basis of a documented risk management or investment strategy within the scope of portfolios measured to fair value whose performance was reported on a regular basis to the Managing Board as a body. If such derivatives have substantial financial effects, financial instruments with embedded derivatives can also be designated as at fair value through profit or loss. If derivatives embedded in financial instruments could not be measured separately, the entirety of such a financial instrument was assigned *a priori* to this class.

Classification took place as at the date of acquisition of a financial instrument. The irrevocable designation was documented by a summary in the portfolio, allowing separate risk monitoring in each case and, above all, management action directed at achieving defined profit goals. Responsibility for individual portfolios was regulated by clear assignments of responsibilities and the associated risk was limited by means of monitored lines and limits.

Financial assets and liabilities designated upon initial recognition as financial assets at fair value through profit or loss must subsequently be measured at fair value, with valuation gains and losses being recognized in profit or loss. The decisive criterion for assignment to this measurement category was that, at the time of acquisition or upon designation at the time of the first-time adoption of this standard, as amended, irrevocable assignment to this class had taken place. Financial investments in equity instruments that did not have quoted market prices and whose fair values could not be determined reliably and derivatives whose values were dependent upon and which required settlement by delivery of such equity instruments were not measured at fair value through profit or loss. Such financial instruments were classified as available for sale and were measured at cost less any impairment.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classified as held for trading, designated as at fair value through profit or loss or classified as available for sale. Such financial instruments result from the supply of money, goods or services. They were measured at amortized cost using the *effective interest rate method* taking account of any impairment.

Held-to-maturity: This category comprises financial assets with fixed or determinable payments that an entity has the positive intention and ability to hold to maturity. Such financial instruments were measured at amortized cost using the *effective interest rate method*. Premiums and discounts were recognized on a proportionate basis. Write-downs were carried out if there was an impairment of credit quality. If the reason for a write-down no longer applies, a write-back will take place up to the amount of the asset's amortized cost and will be recognized in the Income Statement.

Available-for-sale: Available-for-sale financial assets are non-derivative financial assets that are classified as available for sale and not as loans or receivables, held-to-maturity investments or financial assets designated as at fair value through profit or loss. Such assets were measured to fair value. Revaluation gains and losses are recognized in a separate item in equity in *Other comprehensive income* until the asset is sold or an impairment occurs. If an increase in fair value is objectively determinable, an impairment of a debt instrument will be reversed and the reversal will be recognized in the Income Statement; an impairment of an equity instrument will be reversed and recognized in *Other comprehensive income*.

Equity and debt instruments not meeting the criteria for classification as held to maturity or as loans and receivables, that did not have a quoted market price and whose fair value could not be determined reliably were classified as available for sale and were measured at cost less any impairment.

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading were measured at amortized cost using the *effective interest rate method*. We refer the reader to the above comments regarding the recognition of financial liabilities designated as at fair value through profit or loss or classified as held for trading.

Reacquired securities issued by the enterprise were deducted on the equity and liabilities side of the Balance Sheet.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a listed financial instrument is its market value. Where no market values were available, future cash flows from a financial instrument were discounted applying the pertinent yield curve at the measurement date using the methods of financial mathematics. If a fair value could not be determined reliably, measurement took place at cost less any impairment.

Embedded derivatives outside the trading portfolio were separated from the host contract and accounted for as separate derivative financial instruments if the financial instrument was not measured in its entirety at fair value, if changes in fair value were not recognized in profit or loss, if the economic characteristics and risks of the embedded derivative were not closely related to the economic characteristics and risks of the host contract and if the embedded derivative really met the definition of a derivative financial instrument. The host contract was then recognized according to its classification. The change in the value of the separated derivative measured at fair value was recognized in profit or loss. If an embedded derivative could not be valued either upon acquisition or on subsequent reporting dates, the entire structured product was designated as at fair value through profit or loss.

According to IAS 32, if an entity reacquires its own equity instruments (treasury shares), those instruments shall be taken from equity and not capitalized.

A financial asset or financial liability was recognized on the Balance Sheet if a Group entity was a party to the contractual arrangements for the financial instrument and, consequently, had a right to receive or a legal obligation to pay cash. Initial recognition on the Balance Sheet, measurement in the Income Statement and accounting for the disposal of a financial instrument took place using *trade date accounting*.

A financial asset was derecognized as of the time when the right to dispose of the asset or the contractual rights to the asset were lost.

DERIVATIVES

Financial derivatives not designated in a hedge accounting relationship or accounted for using the fair value option described above were recognized on the Balance Sheet at fair value. Changes in value were recognized in profit or loss.

Because of the different ways in which hedging relationships between hedged items and derivatives are accounted for under IAS 39, derivatives acquired for hedging purposes were divided into the following categories:

Fair value hedge: In the case of a fair value hedge, an existing asset or an existing liability is hedged against possible future changes in fair value attributable to a particular risk that would affect profit or loss. Using hedge accounting, the hedging instrument is measured at fair value, with changes in value being recognized in profit or loss. The carrying amount of the hedged item is adjusted through profit or loss by the amount of the revaluation gains or losses attributable to the hedged risk. These hedges are formally documented, continually assessed and expected to be highly effective. In other words, throughout the term of a hedge, one can assume that changes in the fair value of a hedged item will be nearly completely offset by changes in the fair value of the hedging instrument and that the actual risk offset will lie within a range of deviation of 80 – 125 per cent.

Cash flow hedge: Cash flow hedges are hedges of the exposure to variability in cash flows associated with a recognized asset or liability or a highly probable forecast transaction that would affect profit or loss. Within the scope of cash flow hedge accounting, derivatives are used to hedge against possible future changes in interest payments. The extent to which derivatives are used to hedge against the exposure to interest rate risk is decided within the scope of the asset liability management process, with future variable interest payments on variable-yield receivables and debt mainly being swapped for fixed-rate payments using interest rate swaps. Hedging instruments were measured at fair value. Revaluation gains and losses must be separated into an effective portion and an ineffective portion. Hedging relationships are judged to be effective if changes in the cash flow arising from the hedged items are nearly completely offset by changes in the cash flow arising from the hedges at the beginning of the transaction and throughout its term. During the first two years, cash flows are subdivided into monthly time bands; from the third to the fifth year, they are subdivided into quarterly time bands; and from the fifth year they are subdivided into annual time bands according to the balance sheet date.

The following expected interest cash flows were hedged by cash flow hedges:

2012 €'000	Up to 1 year	1 – 3 Years	3 – 5 Years	5 – 10 Years
Cash inflows (assets)	406	612	323	408
Cash outflows (liabilities)	(1,444)	(1,549)	(59)	(8)
Net cash flows	**(1,038)**	**(937)**	**264**	**400**

2011 €'000	Up to 1 year	1 – 3 Years	3 – 5 Years	5 – 10 Years
Cash inflows (assets)	2,255	3,902	2,053	2,877
Cash outflows (liabilities)	(8,957)	(14,235)	(2,653)	(132)
Net cash flows	**(6,702)**	**(10,333)**	**(600)**	**2,745**

The effective portion of the gain or loss on the hedging instrument is taken to *Other comprehensive income* and reported in a separate line item (*Cash flow hedge reserve*).

Gains and losses on these derivatives are set against the future compensating effects of the hedging relationships, whose recognition on the Balance Sheet is not yet allowed.

The cash flow hedge reserve is reversed through profit or loss in the periods in which the cash flows from the hedged items affect profit or loss for the period. The ineffective portion of hedging derivatives must be recognized in profit or loss.

CLASSIFICATION OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

Since the nature of financial instruments is already expressed in the format of the Balance Sheet, the classification of financial instruments is based on their assignment to balance sheet items. If a balance sheet item includes financial instruments in different valuation categories for the purposes of IAS 39, this will be taken into account accordingly. The categories of financial instrument on the assets side of the Balance Sheet are cash and balances with the central bank, loans and advances to other banks, loans and advances to customers, trading assets, securities and equity investments and the derivative financial instruments and derivatives designated as hedging instruments included in *Other assets*. The categories of financial instrument on the equity and liabilities side of the Balance Sheet are deposits from other banks, deposits from customers, liabilities evidenced by paper, trading liabilities, subordinated debt capital and the derivative financial instruments and derivatives designated as hedging instruments included in *Other liabilities*.

RECEIVABLES

Receivables were measured at amortized cost without deducting impairment losses. Accrued interest was reported in the relevant line item. Premiums and discounts were accrued over a receivable's term to maturity.

Purchased receivables were also classified as *Loans and receivables*.

In the case of receivables constituting hedged items in a fair value hedge, revaluation gains and losses on the hedged item were captured and the carrying amount of the receivable was adjusted accordingly (basis adjustment). Receivables not attributable to a core banking relationship were classified as *Loans and receivables* and recognized in *Other assets*.

IMPAIRMENT ALLOWANCE BALANCE

Allowance was made for credit risks by recognizing item-by-item impairment charges.

Applying uniform Group-wide policies, impairment allowances in the amount of the expected losses were made for the recognizable counterparty risks associated with loans and advances to customers and other banks, were reversed insofar as the credit risk no longer existed, and were used if the loan was deemed to be irrecoverable and was charged off. A risk of default was deemed to exist if, taking account of collateral, the present value of expected repayments and interest payments was less than the carrying amount of the receivable.

A collective assessment of impairment of the portfolio was recognized for losses incurred but not yet reported at the time of the Balance Sheet's preparation. They were classified by risk category on the basis of default probability time series.

The balance of impairment allowances for receivables recognized on the Balance Sheet was presented in a separate line item on the assets side of the Balance Sheet below receivables (*Loans and advances*). The impairment allowance for off-balance sheet transactions was recognized as a provision.

As a rule, direct write-offs only took place if the waiver of a receivable had been agreed with a borrower or an unexpected loss had occurred.

TRADING ASSETS

Trading assets are held for the purpose of exploiting short-term fluctuations in market prices.

Securities and derivative instruments held for trading purposes were measured at their fair values. In the case of listed products, exchange prices were used as fair values. In the case of unlisted products, prices close to market prices (*Bloomberg*, *Reuters*) were used. If such prices were not available, primary financial instruments and forwards were measured using internal prices based on present value calculations, and options were measured using appropriate option price models. Derivatives held for trading were also recognized as part of the trading portfolio. Where fair values were positive, these derivatives were classified as *Trading assets*, and where fair values were negative, they were recorded on the Balance Sheet in the line item *Trading liabilities*, the fair values of derivatives being calculated without accrued interest (giving clean prices). Positive and negative fair values were not netted off against each other.

Receivables arising from accruals of interest on derivatives held for trading were also reported in the line item *Trading assets*. Changes in their clean prices were recognized in the Income Statement in the line item *Net trading income.*

Realized and unrealized gains and losses on trading assets and interest income and interest expenses arising from derivatives held for trading were recognized in the Income Statement in the line item *Net trading income*. Interest and dividend income arising from securities held for trading and the interest costs of funding them were recognized in the line item *Net interest income*.

SECURITIES AND EQUITY INVESTMENTS

The line item *Securities and equity investments* comprises held-to-maturity and available-for-sale securities, company shares not consolidated on the grounds of immateriality and other available-for-sale investments. In addition, this line item includes securities designated as at fair value through profit or loss using the fair value option. Deferred interest on such financial instruments is also accounted for in this line item on the Balance Sheet.

Subsequent measurements in the held-to-maturity portfolio are carried out at amortized cost. Financial assets classified as available for sale were, if listed, recognized at their exchange prices at the balance sheet date. Otherwise, they were measured at fair value or, if their fair value could not be determined reliably, at cost. If a financial investment was classified as available for sale, revaluation gains and losses were taken to equity and reported in a special reserve (*Available-for-sale reserve*) as 'other comprehensive income'. Gains and losses on the disposal of financial investments were recognized in the line item *Profit/(loss) from financial investments*. When an asset was disposed of, the available-for-sale reserve in respect of that asset was reversed through profit or loss. Impairments within the meaning of IAS 39 were recognized in the Income Statement in the line item *Profit/(loss) from financial investments*.

Realized and unrealized gains and losses were recognized in the Income Statement in the line item *Profit/(loss) from financial investments*, and current income was recognized in the line item *Net interest income*.investments in entities accounted for using the equity method

Investments in entities accounted for using the equity method were accounted for in a separate line item. The Group's interest in their profits and revaluation gains and losses was reported separately in the Income Statement in the line item *Profit from investments in entities accounted for using the equity method*. The Group's interest in the other comprehensive income of entities accounted for using the equity method was reported in *Other comprehensive income*. *Profit/(loss) from financial investments* includes realized gains and losses and gains and losses upon ceasing to account for an interest using the equity method.

INTANGIBLE ASSETS

Purchased intangible assets with a determinable useful life were measured at cost less straight-line, ordinary amortization. Straight-line amortization is based on expected useful lives of between three and 50 years.

According to IAS 36, if there is any indication that an asset may be impaired, insofar as the carrying amount of an asset exceeds its recoverable amount, an impairment loss must in addition be recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If, in the subsequent reporting period, there are grounds to believe that the impairment no longer exists, IAS 36 requires a write-back up to the recoverable amount but to no more than the asset's amortized cost. A write-back of goodwill is not permitted.

At the balance sheet date, RLB NÖ Wien had no self-produced intangible assets with reliably determinable conversion costs that were likely to generate future economic benefits.

PROPERTY AND EQUIPMENT

Property and equipment were stated at cost of acquisition or conversion less depreciation. Depreciation is carried out on a straight-line basis assuming the following useful lives:

Useful Life	Years
Buildings	25 – 50
Office furniture and equipment	3 – 20

Fittings in rented premises are depreciated on a straight-line basis over the shorter of the lease term and their expected useful life, which is usually 20 years.

Pursuant to IAS 36, if there is any indication that an asset may be impaired, insofar as the carrying amount of the asset exceeds its recoverable amount, an impairment loss must in addition be recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, IAS 36 requires a write-back up to the recoverable amount but to no more than the asset's amortized cost.

OTHER ASSETS

The line item *Other assets* consists mainly of receivables not resulting from core banking relationships (essentially, receivables resulting from supplies and services), tax assets, coin and inventories as well as the positive fair values of derivatives not held for trading and receivables arising from accruals of interest on such derivatives.

Inventories were measured at the lower of their cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs to sell.

PAYABLES

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading were measured at amortized cost. Accrued interest was reported in the pertinent line item on the Balance Sheet. Premiums and discounts are accrued over the term of a liability.

Insofar as the exposure to interest rate risk arising from payables was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment).

LIABILITIES EVIDENCED BY PAPER

Any difference between the issue price and settlement amount of a liability evidenced by paper and measured at amortized cost is spread over the term of the liability as a write-up or write-down. Zero-coupon bonds and similar obligations were measured on a present value basis.

The recognized total of liabilities evidenced by paper was reduced by the amount of the securities issued by the enterprise that had been repurchased. Insofar as the exposure to interest rate risk associated with such issuances was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment). To avoid any accounting mismatch, liabilities evidenced by paper that were designated as at fair value through profit or loss were measured in the same way as interest rate derivative financial instruments using the fair value option.

TRADING LIABILITIES

Trading liabilities are held for the purpose of exploiting short-term fluctuations in market prices.

Derivatives held for trading were measured at fair value. In the case of listed products, exchange prices or prices close to market prices (*Bloomberg*, *Reuters*) were used as fair values. If such prices were not available, forwards were measured using internal prices based on present value calculations and options were measured using appropriate option price models. Where fair values were positive, these derivatives were recognized in the line item *Trading assets*. Where fair values were negative, they were recorded on the Balance Sheet in the line item *Trading liabilities*. The fair values of derivatives were calculated without accrued interest (giving clean prices). Positive and negative fair values were not netted off against each other. Liabilities arising from accruals of interest on derivatives held for trading were also reported in the line item *Trading liabilities*. Changes in their clean prices were recognized in the Income Statement in the line item *Net trading income*.

Realized and unrealized gains and losses on trading liabilities and interest income and expenses arising from derivatives held for trading were recognized in the Income Statement in the line item *Net trading income*.

OTHER LIABILITIES

Other liabilities consists mainly of liabilities not resulting from core banking relationships. These were essentially payables resulting from supplies of goods and services, tax liabilities and other payables. Negative fair values of derivative financial instruments not held for trading and liabilities arising from accruals of interest on such derivatives were reported in this line item. The obligation to transfer profits to *Raiffeisen-Holding NÖ-Wien*—the parent of RLB NÖ-Wien—under the profit-transfer agreement was also accounted for here.

PROVISIONS

Provisions were created if there was a reliably determinable legal or actual obligation to a third party.

All provisions for so-called *social capital* (for post-employment, termination and jubilee benefits and for part-time work by older staff) were created in accordance with *IAS 19 Employee Benefits* using the *projected unit credit method*.

A distinction is made between two kinds of post-employment old-age benefit plan:

Defined contribution plan: Sums are transferred to a pension fund for a group of employees. The fund manages the money and pays the post-employment benefits. The enterprise does not have any further obligations. The investment risk associated with the pension fund's investment activities is borne by the employee. In other words, the enterprise merely makes a promise to the employee to pay the contributions to the pension fund and does not promise any amount of subsequent pension payments. In the case of such plans, payments to the pension fund are treated as current expenditure.

Defined benefit plan: The RLB NÖ-Wien Group has, with legal and binding effect and irrevocably, promised a group of employees defined benefit plans (by way of so-called *post-employment benefit statutes*, special agreements) that specify the amounts of subsequent pensions. These plans are partly unfunded (i.e. the funds needed to pay for them remain within the enterprise) and partly funded (i.e. the funds are saved with the pension fund and/or insurers). When benefits are paid under post-employment benefit statutes and financed via the pension fund, the entitlement is determined once, at the time the employee retires, and then transferred to a defined contribution plan. After that, no further amounts need to be paid for that beneficiary. Such a removal from the scope of actuarial valuations is reported separately. There is an unlimited obligation to pay top-up contributions for the remaining employees, who have pension fund promises. In other words, if there is a funding gap, further contributions must also be made even if the post-employment benefit is already being paid.

No allowance was made for fluctuation rates in the provision for post-employment benefits because the Group's commitments were founded on promises made in individual contracts that were individualized and irrevocable with respect to the post-employment benefit.

To ascertain termination benefit obligations in the case of employees who joined the organization up to and including 2002, the present value of the total obligation and additional entitlements earned in the period under review were determined using the *projected unit credit method* in accordance with generally accepted actuarial practice. In the case of all employees who joined the organization on or after 1 January 2003, the termination benefit obligations were assumed by a staff benefit fund and a defined contribution system is in place. The enterprise pays contributions to a staff benefit fund on the basis of legislative provisions. Having paid the contributions, the enterprise does not have any further benefit obligations.

Besides invalidity rates, mortality rates and factors arising in connection with the termination of employment upon the attainment of retirement age, the Group also applied annual years-of-service dependent fluctuation rates using internal statistical data on premature terminations of employment to take account of the risk of ahead-of-schedule termination benefit payments. To counteract longevity risk, the latest actuarial assumptions were applied both within the pension fund and when calculating provisions.

The same applied, *mutatis mutandis*, to the provision for jubilee benefits (after 25 and 35 years of service). When calculating the provision for part-time work by older staff, account was taken of the individual time span of each promise. No fluctuation rates were applied.

RLB NÖ-Wien applied the amendments to IAS 19 ahead of schedule. These amendments have eliminated the 'corridor' approach to making provisions for termination and post-employment benefits. Previously, using the *corridor method*, actuarial gains and losses were only recognized on the Balance Sheet if one of the limits laid down in the standard, namely of 10 per cent of the present value of the defined benefit obligation (DBO) or 10 per cent of the present value of the plan assets, had been exceeded at the end of the previous reporting period. Now, all changes in the value of the net obligations during the respective reporting period must be captured. Actuarial gains and losses were recognized through *Other comprehensive income* rather than in the Income Statement.

The actuarial parameters used to calculate provisions for termination and post-employment benefits are described in more detail in note (26) *Provisions*.

The recognition of net interest cost was not changed during the transition to the amended recognition policies. Like service cost, net interest cost was still recognized in the Income Statement in the line item *General administrative expenses*.

Other provisions were created for indefinite obligations to third parties in the amount of the expected claims. These provisions were not discounted because the interest effect of discounting them was unlikely to have any material effects on the Annual Financial Statements.

SUBORDINATED DEBT CAPITAL

The subordinated liabilities recognized at amortized cost comprised subordinated liabilities within the meaning of *§ 23 Abs. 8 BWG* and supplementary capital within the meaning of *§ 23 Abs. 7 BWG*. The capitalized amount was reduced by the amount of securities issued by the enterprise that had been repurchased. Insofar as the exposure to the interest rate risk associated with such issuances was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment). Associated accrued interest was also reported in this line item on the Balance Sheet.

Furthermore, subordinated liabilities were designated as at fair value through profit or loss if they were measured in the same way as interest rate derivative financial instruments or a specific portfolio of assets using the fair value option so as to avoid any accounting mismatch.

EQUITY

Equity is made up of paid-in capital, this being capital made available to the entity (subscribed share capital, non-voting non-ownership capital [*Partizipationskapital*] within the meaning of *§ 23 Abs. 4 BWG* and capital reserves), and earned capital (retained earnings, liable reserves [*Haftrücklage*], profit carryforward, profit for the year, other comprehensive income [comprising gains and losses resulting from cash flow hedges not recognized in the Income Statement, the available-for-sale reserve, the revaluation reserve for actuarial gains and losses on provisions for staff benefits, the Group's interest in the other comprehensive income of entities accounted for using the equity method and deferred taxes taken to *Other comprehensive income*]).

Minority interests in the equity of consolidated subsidiaries were reported separately in this line item.

INCOME TAX

Income tax was recognized and measured in conformity with IAS 12 using the *balance sheet liability method*. Deferred taxes were calculated on the basis of temporary differences between carrying amounts in the Consolidated Financial Statements and the tax base that were going to balance out in subsequent periods. Deferred taxes were formed to adjust current tax expense as recognized in the Income Statement in the IFRS-compliant annual financial statements to the profit for the year reported therein as if that profit for the year were the basis of assessment for tax purposes. The recognition of deferred tax assets or liabilities anticipated the future tax effects of present and past events. Deferred tax assets and liabilities were netted off against each other in respect of each taxable unit. Deferred tax assets resulting from tax loss carryforwards and other deferred tax assets were recognized if the same taxable unit was expected to record taxable profits in an appropriate amount in the future.

Since the assessment year 2005, RLB NÖ-Wien has been a member of a taxable enterprises group (*steuerliche Unternehmensgruppe*) within the meaning of *§ 9 KStG* (Austrian corporation tax act) under group parent (*Gruppenträger*) *Raiffeisen-Holding NÖ-Wien*. It has signed a tax contribution agreement (*Steuerumlagenvereinbarung*) with its group parent. The profit-transfer agreement, signed among other things because of prior group taxation rules (*Organschaft*), remains in place. In the assessment year 2011, the taxable enterprises group under group parent *Raiffeisen-Holding NÖ-Wien* had 80 members besides group member RLB NÖ-Wien (2010: 82). The basis of assessment for tax on the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent's tax loss carryforwards to the extent allowed by law. RLB NÖ-Wien incurs group corporation tax (*Gruppenkörperschaftsteuer*), which is assessed at the level of the group parent *Raiffeisen-Holding NÖ-Wien*, on a proportionate basis. A contractually agreed tax contribution is payable to group parent *Raiffeisen-Holding NÖ-Wien* for the untaxed portion of the taxable profit of RLB NÖ-Wien. If RLB NÖ-Wien makes a tax loss, a negative tax contribution will be charged.

Deferred taxes were measured applying the applicable corporation tax rate of 25 per cent. The revaluation reserves contained in equity (cash flow hedge reserve, available-for-sale reserve, revaluation reserve for actuarial gains and losses on provisions for staff benefits) were likewise adjusted by the amount of RLB NÖ-Wien's interest in the amount of deferred taxes.

Income tax assets and liabilities were recognized in the line items *Other assets* or *Other liabilities*. Deferred tax assets and liabilities were recognized in the line items *Other assets* or tax provisions. Profit-based current and deferred taxes were recognized in the Income Statement in the line item *Income tax*. Non-profit based taxes were recognized in the Income Statement in the line item *Other operating profit/(loss)*. Deferred taxes were not discounted.

INCOME STATEMENT

Besides interest income and interest expenses, the line item *Net interest income* also includes all similar recurring and non-recurring income and charges. Interest and similar income and charges were measured on an accrual basis using the *effective interest rate method*. This line item also includes all interest and dividend income from securities and earnings from associates and unconsolidated subsidiaries. Dividend income was recognized as of the time when the right to payment arose.

The line item *Impairment charge on loans and advances* includes all expenses and income arising in connection with the revaluation of loans and advances to customers and to other banks and in connection with other credit risks for which provisions were created.

Net fee and commission income includes all income and expenses arising with legal and binding effect in connection with the rendering of services.

Net trading income includes all realized and unrealized gains and losses arising from trading in securities, currencies and derivatives and interest income and interest expenses arising from derivatives held for trading. Interest and dividend income arising from securities held for trading and the costs of funding them were recognized in the line item *Net interest income*.

Profit from investments in entities accounted for using the equity method made a material contribution to consolidated profit. It is presented in a separate line item.

Profit/(loss) from financial investments includes all realized and unrealized gains and losses on 'other' securities. To avoid any accounting mismatch, revaluation gains and losses on derivatives measured in the same way as securities designated as at fair value through profit or loss as well as liabilities evidenced by paper and subordinated liabilities designated as at fair value through profit or loss were also reported in this line item in the Income Statement. Revaluation gains and losses on held-to-maturity and available-for-sale financial instruments recognized because of impairment and the income from impairment reversals were likewise recognized in this line item.

General administrative expenses includes staff costs, other administrative expenses and depreciation/amortization/write-offs of intangible assets and property and equipment.

Other operating profit/(loss) includes all revaluation gains and losses on 'other' derivatives in the banking book as well as the Group's other operating profit/(loss).

REPO TRANSACTIONS

During 'genuine' repurchase (repo) transactions, the Group sells assets to a counterparty and undertakes at the same time to repurchase the same assets on a specified date at a specified price. The assets remain on the Group's Balance Sheet and are measured applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognized as a liability.

During reverse repo transactions, assets are acquired subject to a simultaneous undertaking to sell them in the future subject to payment. Such transactions were recognized on the Balance Sheet in the line item *Loans and advances to other banks* or *Loans and advances to customers*. Interest expenses arising from repos and interest income from reverse repos are deferred over the transaction's term. They were recognized in the line item *Net interest income*.

In the case of a 'non-genuine' or 'pseudo' repo (*unechtes Pensionsgeschäft*), the seller is obliged to repurchase the pledged asset but is not entitled to demand its sale. Retransfer is solely at the discretion of the purchaser. The right to retransfer the asset constitutes a put option for the purchaser in respect of which the seller acts as writer of the option. If the put option is deeply in the money, the securities will not be derecognized in the seller's accounts because the associated rewards and risks are retained. If the put option is deeply out of the money, repurchase is very unlikely and the pledged security must be derecognized. If the put option is neither deeply out of the money nor deeply in the money, one must ascertain whether the transferring entity (seller) still has power of disposal over the asset. If the security is traded in an active market, one can assume that power of disposal will be transferred and the pledged security will be derecognized. In the case of a financial asset not traded in an active market, the pledged security must continue to be recognized on the seller's balance sheet.

SECURITIES LENDING

When securities are lent, the lender loans securities to a borrower under an agreement to return securities of the same type, quality and quantity at the end of the loan period or when the arrangement is terminated. The policies applied to repurchase agreements must also be applied accordingly to securities lending transactions. Consequently, loaned securities continue to be reported on the lender's balance sheet and are valued in accordance with the provisions of IAS 39. Borrowed securities are neither capitalized nor valued.

TRUST ACTIVITIES

Transactions undertaken in the management or placing of assets for the account of third parties were not recognized on the Balance Sheet. Commission payments arising from such transactions were recognized in the line item *Net fee and commission income*.

LEASING

During the period under review, the Group did not carry on any active leasing business as lessor. Lease relationships only existed where the Group was lessee. The leases of material importance to the Group, namely vehicle leases, were operating leases for the purposes of IAS 17. The resulting lease instalments were recorded in the Income Statement as current expenditure in the line item *General administrative expenses*.

FOREIGN CURRENCY TRANSLATIONS

Foreign currency translations took place in accordance with the provisions of IAS 21. As a result, non-euro monetary assets and liabilities were translated at the market exchange rates (as a rule, ECB reference rates) ruling at the balance sheet date. Non-monetary assets and liabilities not measured at fair value were measured applying the rates ruling at the dates of their initial acquisition. Non-monetary assets and liabilities measured at fair value were translated at the market exchange rates (as a rule, ECB reference rates) ruling at the balance sheet date.

Items in the Income Statement were immediately translated into the functional currency as at the time they came into being applying the rates ruling at the date of the transaction.

LATITUDE OF JUDGEMENT AND ESTIMATES

In the Consolidated Financial Statements, latitude of judgement was employed when applying recognition and measurement policies and, to a certain extent, estimates and assumptions were made that affected the recognition of assets and liabilities, the statement of contingent liabilities at the balance sheet date and the reporting of income and expenses during the reporting period.

When applying recognition and measurement policies, Management exercised its discretion in the light of the purpose of the Annual Financial Statements, which is to provide meaningful information about the enterprise's assets, liabilities, financial position and profit or loss and about changes in its assets, liabilities and financial position.

Assumptions and estimates were, above all, made when determining the fair values of some financial instruments, recognizing impairment allowances for future losses on loans and advances and interest rebates, creating provisions for post-employment benefits, termination benefits and similar obligations as well as other provisions, determining discounted cash flows during impairment testing and determining the useful lives of non-current assets. Actual results may differ from estimates.

CHANGE IN THE FORMAT OF THE BALANCE SHEET

In the Consolidated Interim Financial Statements as at and for the 12 months ended 31 December 2012, the line items previously designated as *Other current financial assets* and *Financial investments* are collected together in one line item designated as *Securities and equity investments*.

The line item *Other current financial assets* included financial instruments designated as at fair value through profit or loss under the fair value option. The line item *Financial investments* included held-to-maturity and available-for-sale financial instruments. In the Consolidated Financial Statements as at and for the 12 months ended 31 December 2011, the line item *Other current financial assets* included financial instruments in respect of which the Group's investment strategy changed and that were now to be held on a long-term basis as a result. The format of the Balance Sheet was amended to ensure a clear and transparent presentation. The figures for prior periods have been restated accordingly. Now, the line item *Securities and equity investments* includes held-to-maturity and available-for-sale financial instruments as well as financial instruments designated as at fair value through profit or loss under the fair value option. The financial instruments contained in this line item are still described in more detail, namely in note (17) *Securities and equity investments*.

The table below provides a reconciliation from the line items *Other current financial assets* and *Financial investments* to the line item *Securities and equity investments*:

€m	31.12.2012	31.12.2011
Other current financial assets	**2,065**	**2,253**
Designated as at fair value through profit or loss	2,065	2,253
Financial investments	**4,223**	**3,556**
Classified as available for sale	2,928	2,158
Classified as held to maturity	1,294	1,397
Securities and equity investments	**6,288**	**5,808**

CHANGES TO THE NOTES

Since the 2012 financial year, regulatory own funds have been presented at the level of the individual institution. Because the difference compared with own funds calculated in accordance with *§ 23 BWG* (at the level of the individual institution) would be immaterial, a voluntary presentation for informational purposes of a credit institution group (*Kreditinstitutsgruppe*) in accordance with *§ 24* in conjunction with *§ 30 BWG* has not been provided for RLB NÖ-Wien (see note (48) *Regulatory own funds*).

Previously, the disclosure of earnings per share in the Consolidated Financial Statements of RLB NÖ-Wien took place voluntarily. This was because RLB NÖ-Wien's shares are unlisted and, as a result, there was no duty of disclosure under IAS 33. Since the 2012 financial year, earnings per share have not been disclosed following the amendment to the terms of the non-voting non-ownership capital (*Partizipationskapital*) issued by RLB NÖ-Wien.

CHANGES IN RECOGNITION AND MEASUREMENT POLICIES

With the exception of the following new provisions that have already been adopted by the EU, the same recognition and measurement principles were applied as in the Consolidated Financial Statements as at and for the 12 months ended 31 December 2011:

New Provisions		Effective for Annual Periods Beginning on or After	Already Adopted by the EU
Amendments to Standards			
IFRS 7	Amendment on enhancing disclosures about transfers of financial assets (amended October 2010)	1 July 2011	Yes
IAS 19	Employee Benefits (amended 2011)	1 January 2013	Yes

The changes to IAS 19 Employee Benefits were applied ahead of schedule in the 2012 Consolidated Financial Statements. The corridor method previously used in the calculation of provisions for post-employment and termination benefits within the RLB NÖ-Wien Group was abolished. The effect of the corridor method had been that actuarial gains and losses had only required recognition on the Balance Sheet when the limits laid down in the standard had been exceeded. Now, all changes in defined benefit obligations and plan assets are immediately recognized on the Balance Sheet. When this is done, all actuarial gains and losses are recognized through other comprehensive income and not in the Income Statement. Contributions paid in the comparison periods were restated accordingly and the 2010 and 2011 balance sheets have been presented on the basis of the new method for comparison purposes. The deferred taxes attributable to these line items in the Income Statement and in other comprehensive income were likewise restated in the comparison periods. Moreover, receivables arising from reinsurance as a component of the plan assets are now deducted from the post-employment benefit obligation and are no longer, as used to be the case, recognized in other receivables.

Changes to carrying amounts and expenses and income caused by the application of IAS 19 (2011) ahead of schedule led to the following adjustments compared with the previous method in the respective financial years:

€'000	
At 31 December 2010	
Increase of provisions for post-employment and termination benefits	20,859
Reduction in other receivables	1,271
Decrease of retained earnings	22,130
At 31 December 2011	
Increase of provisions for post-employment and termination benefits	13,502
Reduction in other receivables	1,698
Decrease of staff costs	1,534
Decrease of other operating income	427
Actuarial gains resulting from the revaluation of provisions for staff benefits taken to other comprehensive income	5,823
At 31 December 2012	
Increase of provisions for post-employment and termination benefits	31,050
Reduction in other receivables	2,128
Decrease of staff costs	794
Decrease of other operating income	431
Actuarial losses resulting from the revaluation of provisions for staff benefits taken to other comprehensive income	18,342

Furthermore, the retroactive application of IAS 19 (2011) led to minor adjustments to outlay on deferred taxes in the Income Statement and to deferred taxes in other comprehensive income in the respective financial years.

IFRS 7 changed the requirements regarding disclosures about transfers of financial assets to provide a better presentation of existing obligations. This did not change the requirements regarding the derecognition of financial instruments.

The following standards and interpretations already issued by the IASB or IFRIC but not yet in force in the EU were not applied ahead of schedule in these Consolidated Financial Statements:

New Provisions		Effective for Annual Periods Beginning on or After	Already Adopted by the EU
New Standards			
IFRS 10	Consolidated Financial Statements (May 2011)	1 January 2014*	Yes
IFRS 11	Joint Arrangements (May 2011)	1 January 2014*	Yes
IFRS 12	Disclosure of Interests in Other Entities (May 2011)	1 January 2014*	Yes
IFRS 13	Fair Value Measurement (May 2011)	1 January 2013	Yes
IFRS 9	Financial Instruments: Recognition and Measurement (November 2009, amended December 2011)	1 January 2015	No
Amendments to Standards			
IFRS 1	First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amended December 2010)	1 January 2013	Yes
IAS 12	Income Taxes: Deferred Tax: Recovery of Underlying Assets	1 January 2013	Yes
IAS 27	Separate Financial Statements (May 2011)	1 July 2014*	Yes
IAS 28	Investments in Associates and Joint Ventures (May 2011)	1 July 2014*	Yes
IAS 32	Financial Instruments: Presentation—Amendment on Offsetting Financial Assets and Financial Liabilities (amended December 2011)	1 January 2014	Yes
IAS 1	Presentation of Financial Statements—Amendment on Presentation of Items of Other Comprehensive Income (amended June 2011)	1 July 2014	Yes
IFRS 1	First-time Adoption of International Financial Reporting Standards: Government Loans at Below-market Rates of Interest	1 January 2013	Yes
IFRS 7	Financial Instruments: Disclosure—Offsetting Financial Assets and Financial Liabilities	1 January 2013	Yes
IFRS 10 – 12	Transition guidance	1 January 2014*	No
Various	Improvements to the International Financial Reporting Standards (2009 – 2011)	Mostly 1 January 2013	No
IFRS 10, 12, IAS 27	Investment companies	1 January 2014	No
New Interpretations			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	Yes

* The time of mandatory first-time adoption by preparers of IFRS-compliant financial statements in the EU is later than the IASB had intended. It is that date that is of relevance for the RLB NÖ-Wien Group, so it has been stated here.

IFRS 9 changes the classification and measurement of financial instruments. This standard is the first part of a three-phase project designed to replace IAS 39 in its present form. In the first published version (2009), IFRS 9 only offers two categories of financial instrument: debt instruments, which are measured at amortized cost, and financial instruments, which are measured at fair value through profit or loss (or, in the case of equity instruments, as an option, through other comprehensive income). In the new stipulations regarding the recognition of financial liabilities, the fair value option is still available, but the amount of the change in fair value attributable to the change in default risk is recorded in equity as other comprehensive income. The remaining amount is still recognized in profit or loss.

A final assessment of the effects of this new standard will only be possible when Phase 2: Impairment Methodology and Phase 3: Hedge Accounting have been completed. In the current draft on impairments, the IASB has proposed a model under which impairments would not just be recognized when they have actually arisen, but instead, that in future an impairment allowance should also be recognized in respect of expected payment defaults on financial instruments where payment problems have not yet occurred. In future, hedge accounting is to be more closely geared to operational risk management. Phases 2 and 3 have yet to be finalized, but finalization is expected in 2013.

The presentation of other comprehensive income in accordance with IAS 1 has been changed in that separate subtotals are required for those elements that may be 'recycled' (e.g. cash flow hedges) and those that are not recycled (e.g. items that must be recognized through other comprehensive income in accordance with IFRS 9).

IFRS 10 replaces the consolidation requirements in IAS 27 and SIC-12 by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). The provisions on separate financial statements remain a part of the amended IAS 27. The other parts of IAS 27 have been replaced by IFRS 10.

IFRS 11 has introduced new accounting requirements for joint arrangements, replacing IAS 31. The policy choice of proportionate consolidation for jointly controlled entities has been eliminated.

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

The amendment to IAS 28 contains changes resulting from the publication of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 establishes a single framework for determining the fair values of both financial and non-financial items. The fair value measurement guidance contained in the individual IFRSs now in force will be replaced by a single standard. IFRS 13 defines fair value, provides guidance on the measurement of fair value and requires entities to disclose how they measure fair value. IFRS 13 does not specify whether or when fair value should be used. Instead, it specifies how an entity should measure fair value if another standard requires fair value to be used.

In principle, the prerequisites for offsetting formulated in IAS 32 have been retained and supplemented with additional guidance. The disclosure requirements in respect of certain offsetting arrangements added in IFRS 7 are new.

With the exception of IFRS 9, the amended and revised financial reporting and accounting standards described above are not expected to materially affect the presentation of the Group's assets, liabilities, financial position and profit or loss. The revisions and amendments, including in particular the changes to IFRS 7, will lead to corresponding adjustments in the Notes.

Details of the Consolidated Income Statement

(1) NET INTEREST INCOME

€'000	2012	2011
Interest income	**674,233**	**739,611**
from loans and advances to other banks	138,083	193,408
from loans and advances to customers	286,240	297,377
from other current financial assets		
from trading assets and liabilities	2,919	4,482
from other variable-yield securities	182,244	186,166
from derivative financial instruments	64,747	58,175
Other	0	3
Current income	**18,552**	**14,917**
from shares and other variable-yield securities	17,008	13,287
from equity investments in subsidiaries	316	315
from other equity investments	1,228	1,315
Total interest and similar income	**692,785**	**754,528**
Interest expenses	**(531,950)**	**(547,961)**
on deposits from other banks	(170,812)	(234,625)
on deposits from customers	(108,457)	(94,839)
on liabilities evidenced by paper	(132,859)	(121,422)
on subordinated debt capital	(30,525)	(32,564)
on derivative financial instruments	(89,214)	(64,430)
Other	(83)	(81)
Total interest expenses and similar charges	**(531,950)**	**(547,961)**
Net interest income	**160,835**	**206,567**

Interest and similar income and charges were measured on an accrual basis. The distribution of premiums and discounts on investment securities on the accrual basis of accounting is also reported in *Interest income*.

Total interest income from and interest expenses on financial assets and liabilities not designated as at fair value through profit or loss requiring recognition using the *effective interest rate method*:

€'000	2012	2011
Interest income	561,293	593,621
Interest expenses	(415,480)	(449,538)

(2) IMPAIRMENT CHARGE ON LOANS AND ADVANCES

€'000	2012	2011
Item-by-item allowances for impairment	**(55,612)**	**(60,556)**
Impairment allowances	(89,327)	(100,186)
Impairment reversals	32,723	40,904
Direct write-offs	(442)	(2,564)
Recoveries of loans and advances previously written off	1,434	1,290
Collective assessment of impairment of the portfolio	**(833)**	**3,537**
Impairment allowances	(4,175)	(1,920)
Impairment reversals	3,342	5,457
Total	**(56,445)**	**(57,019)**

See note (15) *Impairment allowance balance* for details of impairment allowances.

(3) NET FEE AND COMMISSION INCOME

€'000	2012	2011
Payment services	19,427	17,376
Loan processing and guarantee operations	12,147	10,000
Securities operations	21,593	21,398
Foreign exchange, notes-and-coin and precious-metals business	4,259	4,622
Other banking services	14,425	14,189
Total	**71,851**	**67,585**

Fee and commission income came to €99,817 thousand (2011: €94,976 thousand). Fee and commission expenses came to negative €27,966 thousand (2011: negative €27,391 thousand). No fee or commission payments were received for trust activities.

(4) NET TRADING INCOME

Net trading income captures interest income from and interest expenses on derivatives held for trading and realized and unrealized changes in the fair values of trading portfolios. Interest and dividend income and the interest costs of funding securities held for trading were recognized in *Net interest income*.

€'000	2012	2011
Interest rate contracts	**(5,231)**	**(7,705)**
Of which from securities	91	876
Of which from derivative contracts	(5,322)	(8,581)
Currency contracts	**1,325**	**2,666**
Equity and index contracts	**9,372**	**1,125**
Of which from securities	9,026	1,199
Of which from derivative contracts	346	(74)
Other contracts	**2,108**	**2,280**
Total	**7,574**	**(1,634)**

(5) PROFIT FROM INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

€'000	2012	2011
Group interest in annual profits or losses	93,599	138,547
Revaluation gains and losses	0	(17,905)
Total	**93,599**	**120,642**

In 2011, this line item included a one-off effect caused by impairment of the investment in *Raiffeisen Bank Zrt.* (Hungary) in the amount of €18.4 million. It was the result of the difficult economic situation and the political environment in Hungary. The calculated recoverable amount was the same as the investment's value in use. The stake in *Raiffeisen Bank Zrt.* (Hungary) was sold during the 2012 financial year.

(6) PROFIT/(LOSS) FROM FINANCIAL INVESTMENTS

€'000	2012	2011
Gains less losses from financial instruments classified as held to maturity	**(2,356)**	**(949)**
Of which revaluation gains and losses	(3,491)	(1,037)
Of which gains and losses on disposal	1,135	88
Gains less losses from financial instruments classified as available for sale and measured at fair value	**(27,437)**	**9,788**
Of which revaluation gains and losses	(23,509)	(31)
Of which gains and losses on disposal	(3,928)	9,819
Gains less losses from financial instruments classified as available for sale and measured at cost	**(2,946)**	**(5,401)**
Of which revaluation gains and losses	(2,620)	(6,020)
Of which gains and losses on disposal	(326)	619
Gains less losses from investments in entities accounted for using the equity method	**(59,840)**	**48,770**
Of which gains and losses on disposal and on ceasing to use the equity method	(59,840)	48,770
Gains less losses from unlisted securities recognized as receivables and classified as loans and receivables	**1**	**(7,652)**
Of which revaluation gains and losses	0	(7,947)
Of which gains and losses on disposal	1	295
Gains less losses from financial instruments designated as at fair value through profit or loss	**59,849**	**(50,217)**
Of which revaluation gains and losses	66,723	(33,659)
Of which gains and losses on disposal	(6,874)	(16,558)
Realized gains and losses on liabilities measured at cost	**761**	**1,166**
Total	**(31,968)**	**(4,495)**

Gains less losses from investments in entities accounted for using the equity method includes a special item in the amount of negative €59.8 million that accounts for the effect on profit or loss of selling to the RZB Group the investment in *Raiffeisen Bank Zrt.* (Hungary) and of ceasing to use the equity method to account for the stake held in RBI. Negative €50.4 million thereof (2011: €39.8 million) was accounted for by the difference between the carrying amount measured using the equity method to date and the fair value or sale proceeds, and negative €9.4 million thereof (2011: €9.0 million) was accounted for by amounts previously recognized through other comprehensive income that now had to be recognized through profit or loss. The method of measuring the stake in RBI was changed because the RLB NÖ-Wien Group was no longer able to exercise a significant influence over it. Instead of being accounted for using the equity method in accordance with IAS 28, it was now accounted for like a financial instrument classified as available for sale. In accordance with IAS 28, the difference between its previous carrying amount measured using the equity method and its fair value at the time of reclassification was recognized in profit or loss. In 2011, a gain of €48.8 million was recognized on the sale of RLB NÖ-Wien's investments in *Raiffeisenbank a.s.*, Prague, and *Tatra Banka a.s.*

Gains less losses from financial instruments designated as at fair value through profit or loss comprises gains and losses from financial instruments designated as at fair value through profit or loss under the fair value option. Consequently, to avoid any accounting mismatch, revaluation gains and losses on derivatives and on liabilities evidenced by paper and subordinated liabilities designated as at fair value through profit or loss that were measured in the same way using the fair value option were reported in this line item in the Income Statement.

Revaluation gains and losses on financial instruments designated as at fair value through profit or loss are the net result of fluctuations in value. Revaluation gains and losses on financial instruments classified as available for sale and measured at fair value included a write-back in the amount of €4,226 thousand (2011: €392 thousand). All other revaluations were downward and recognized as impairments.

(7) GENERAL ADMINISTRATIVE EXPENSES

€'000	2012	2011
Staff costs	**(105,927)**	**(100,319)**
Of which wages and salaries	(77,518)	(73,196)
Of which social security costs	(19,672)	(18,451)
Of which voluntary fringe benefits	(1,956)	(1,883)
Of which expenditure on termination and post-employment benefits	(6,781)	(6,789)
Other administrative expenses	**(80,261)**	**(80,803)**
Of which building rental, maintenance and operating costs	(17,220)	(17,508)
Of which IT costs	(26,555)	(24,520)
Of which advertising and entertainment expenses	(14,712)	(15,717)
Of which other items	(21,774)	(23,058)
Depreciation/amortization/write-offs of property and equipment and intangible assets	**(4,756)**	**(4,421)**
Of which of property and equipment	(2,280)	(2,437)
Of which of intangible assets	(2,476)	(1,984)
Total	**(190,944)**	**(185,543)**

Other administrative expenses includes rental and leasing expenses in the amount of €14,776 thousand (2011: €14,989 thousand).

The fees paid to the auditors of Group members contained in the line item *Other administrative expenses* broke down as follows:

Financial year 2012 €'000	*KPMG Austria AG*	*Österreichischer Raiffeisenverband*
Audit of the Annual Financial Statements and Consolidated Financial Statements	195	508
Other auditing services	27	117
Tax consulting services	9	0
Other services	8	59
Total	**239**	**684**

Financial year 2011 €'000	*KPMG Austria GmbH*	*Österreichischer Raiffeisenverband*
Audit of the Annual Financial Statements and Consolidated Financial Statements	187	485
Other auditing services	21	117
Tax consulting services	11	0
Other services	6	28
Total	**225**	**630**

(8) OTHER OPERATING PROFIT/(LOSS)

Among other things, the line item *Other operating profit/(loss)* includes income and expenses arising from non-banking activities, from the banking levy, from damage events and from actual and contingent liabilities arising from potential customer complaint claims as well as income and expenses arising from the disposal of property and equipment and intangible assets. Changes in the values of derivatives designated in a hedge accounting relationship that required recognition in profit or loss were recognized in this line item. Moreover, this line item also contains revaluation gains and losses on derivative financial instruments that were neither held for trading nor hedging instruments within the meaning of IAS 39.

€'000	2012	2011
Effect of hedge accounting	**1,132**	**(294)**
Of which revaluation gains and losses on hedging instruments in fair value hedges	15,790	(25,433)
Of which revaluation gains and losses on hedged items in fair value hedges	(14,658)	25,139
Gains less losses from other derivatives	**15,972**	**(33,249)**
Of which from interest rate derivatives	14,661	(16,049)
Of which from currency derivatives	142	(14,106)
Of which from equity and index derivatives	0	630
Of which from credit derivatives	1,169	(3,724)
Other operating income	**16,446**	**16,956**
Of which income from services and reimbursed costs	12,933	11,929
Of which other items	3,513	5,027
Other operating expenses	**(71,214)**	**(20,796)**
Of which arising from damage events and damage claims	(51,372)	(3,824)
Of which arising from the solidarity association (*Solidaritätsverein*)	(676)	(652)
Of which arising from the banking levy	(19,079)	(15,263)
Of which other items	(87)	(1,057)
Total	**(37,664)**	**(37,383)**

(9) PROFIT/(LOSS) FROM FINANCIAL INSTRUMENTS

€'000	2012	2011
Gains less losses from financial instruments designated as at fair value through profit or loss	**71,846**	**(29,863)**
Of which from financial instruments held for trading	(226)	(17,493)
Of which from financial instruments designated as at fair value through profit or loss	72,072	(12,370)
Gains less losses from financial instruments classified as available for sale	**50,106**	**69,406**
Of which taken from other comprehensive income and recognized in profit or loss for the financial year	(31,664)	9,656
Of which taken directly to the Income Statement for the financial year	81,770	59,750
Gains less losses from financial instruments classified as held to maturity	**66,569**	**48,573**
Gains less losses from financial instruments classified as loans and receivables	**374,408**	**466,502**
Gains less losses from liabilities measured at cost	**(414,719)**	**(448,372)**
Total	**148,210**	**106,246**

Gains less losses in each valuation category for the purposes of IFRS 7 para. 20(a) comprises realized and unrealized gains and losses, interest income, interest expenses, dividends and other distributions. Gains and losses on available-for-sale financial instruments recognized through *Other comprehensive income* are presented in C. *Consolidated Statement of Changes in Equity*.

(10) INCOME TAX

€'000	2012	2011
Current income tax	**8,725**	**688**
Of which tax contribution	8,623	875
Of which current domestic tax	121	(154)
Of which current foreign tax	(19)	(33)
Deferred tax	**(3,065)**	**1,399**
Total	**5,660**	**2,087**

The following reconciliation shows the relationship between profit for the year and actual tax expense:

€'000	2012	2011
Profit for the year before tax	16,838	108,720
Theoretical income tax expense based on the domestic tax rate of 25 per cent	(4,210)	(27,180)
Effect of the lower tax contribution rate [1]	(12,602)	(1,216)
Reduction in the tax burden because of tax-exempt income from equity investments and other tax-exempt income	24,706	86,528
Increase in the tax burden because of non-tax deductible expenses	(11,571)	(41,610)
Use of tax loss carryforwards and remeasurement of deferred tax items	5,924	(12,596)
Other	3,413	(1,839)
Actual tax burden	**5,660**	**2,087**

[1] The tax contribution rates agreed within the scope of the group taxation regime were lower than the Austrian corporate tax rate. This line item shows the resulting effect on the actual income tax burden.

(11) SEGMENTAL REPORTING

Segmental reporting is based on the Group's internal Management performance calculations, which take the form of a multi-stage contribution income statement. Income and expenses are allocated on a cost-by-cause basis. The income items are net interest income, net fee and commission income, net trading income and other operating profit/(loss). Net interest income is calculated on a market-interest rate basis.

Interest earnings from equity are allocated to individual segments according to regulatory capital requirements on the basis of the assumed interest rate and are reported in *Net interest income*. The *Impairment charge on loans and advances* captures the net impairment allowance for counterparty risks and direct write-offs less recoveries of loans and advances previously written off. *General administrative expenses* includes direct and indirect costs. Direct costs (*Staff costs* and *Other administrative expenses*) are incurred by individual business segments, whereas indirect costs are allocated according to predefined ratios.

Segments are presented as if they were autonomous entities with their own capital resources and with responsibility for their own results.

Segments are defined according to the RLB NÖ-Wien customers being serviced.

RLB NÖ-Wien's segmental reports distinguish between the following segments:

- **The *Retail Banking* segment (personal and business banking customers) encompasses the Group's retail operations in Vienna.**

This segment's target group includes all private individuals, small and medium-sized enterprises and self-employed customers. Our branches and offices in Vienna consist of retail banking branches, offices for high net worth personal banking customers (*Private Banking Wien*) and special centres of excellence for trade and business customers.

Offerings in the *Retail Banking* segment consist mainly of standardized products like *Sparbuch* passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, overdrafts and mortgages and other special purpose loans.

- **The *Corporate Customers* segment encompasses business conducted with corporate customers in the *Centrope* region, the public sector and institutional clients and the activities of International Operations.**

This segment covers classical credit services for corporate customers, corporate finance (project and investment finance, acquisition finance, property finance), trade and export finance, documentary services and the financing of local authorities and financial institutions.

Classical credit services comprise the provision of working capital, investment finance and trade finance using a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, factoring, venture capital finance).

International Operations—a Head Office department—is responsible for administering export finance and foreign investment loans (e.g. export loans from export funds and *OeKB* and *OeKB* equity finance loans) as well as the structuring and settlement of letters of credit, collections and furnishing Austrian and foreign clients with guarantees; and in addition, International Operations handles relations with correspondents (financial institutions) and foreign corporate customers.

The activities of the Corporate Finance Department include handling project and investment finance (specially tailored financing of specific business projects) in the Group's core market and administering all subsidized credit products. In addition, they also include handling transactions undertaken jointly with the European Investment Bank (EIB) and the *Kreditanstalt für Wiederaufbau* (KfW).

- **The *Financial Markets* segment encompasses the Group's treasury activities, including in particular its earnings from management of the banking book (profit from maturity transformation [*Strukturbeitrag*]) and from the trading book.**

The Treasury Department is responsible for the Group's proprietary positions in on-balance sheet products (e.g. money-market deposits) and off-balance sheet interest rate and price products (forwards, futures and options). These include interest rate and currency contracts, and the Treasury Department is likewise responsible for liquidity management and asset liability management (maturity transformation). Treasury operations also include the management of RLB NÖ-Wien's portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

Trading in financial instruments takes place centrally and is subject to strictly enforced limits. Whereas all proprietary trading was reported in this segment, profit contributions made by customer treasury transactions were allocated to other segments. The portion of the contribution to profit made over and above market prices was allocated to customer segments.

- **The *Investments* segment encompasses RLB NÖ-Wien's banking-related equity investments, including in particular its investment in RZB.**

This segment primarily encompasses RLB NÖ-Wien's portfolio of equity investments in banks and other financial institutions. This also includes its stake in the RZB Group—which is accounted for using the equity method—and all of the RZB Group's activities in Central and Eastern European countries as well as the stakes held directly in RBI and *Raiffeisen Informatik GmbH*.

- **The *Management Services* segment (which corresponds to the Raiffeisen Banks & Management Services and Risk Management & Organization divisions in the Group's organizational chart).**

This segment encompasses any activities undertaken to support the other segments in the marketplace. These consist, in particular, of appropriate marketing activities. All services rendered for *Raiffeisenkasse* banks within the scope of the Austrian *Raiffeisen* organization are included in this segment. In addition, this segment encompasses income and expenses that cannot, by their nature, be allocated to any other segment.

The RLB NÖ-Wien Group uses two central steering benchmarks:

Return on equity expresses the relationship between profit before tax and average equity employed in the respective segment.

The *cost:income* ratio expresses a segment's cost efficiency. It is the ratio of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income, profit from investments in entities accounted for using the equity method and other operating profit/(loss) (i.e. without profit/(loss) from financial investments and the impairment charge on loans and advances)

The RLB NÖ-Wien Group operates primarily in the *Centrope* region, and within that region, mainly in Austria in the Vienna area.

Financial year 2012 €'000	Retail Banking	Corporate Customers	Financial Markets	Investments	Management Services	Total
Net interest income	85,531	140,759	985	(67,287)	847	160,835
Impairment allowance balance	(6,147)	(45,298)	0	0	(5,000)	(56,445)
Net interest income after impairment charge	79,384	95,461	985	(67,287)	(4,153)	104,390
Net fee and commission income	34,286	27,860	93	0	9,612	71,851
Net trading income	3,207	1,686	(85)	0	2,766	7,574
Profit from investments in entities accounted for using the equity method	0	0	0	93,599	0	93,599
Profit/(loss) from financial investments	0	(1,699)	32,514	(62,783)	0	(31,968)
General administrative expenses	(94,962)	(37,832)	(16,312)	(2,223)	(39,615)	(190,944)
Of which staff costs	(57,269)	(23,153)	(7,529)	(565)	(17,411)	(105,927)
Of which other administrative expenses	(35,464)	(14,404)	(7,189)	(1,640)	(21,564)	(80,261)
Of which depreciation/amortization	(2,229)	(275)	(1,594)	(18)	(640)	(4,756)
Other operating profit/(loss)	(1,767)	(6,201)	22,862	22	(52,580)	(37,664)
Profit for the year before tax	**20,148**	**79,275**	**40,057**	**(38,672)**	**(83,970)**	**16,838**
Average risk-weighted assets, €m	1,714	8,156	2,781	2,076	487	15,214
Average allocated equity, €m	159	758	259	1,121	45	2,342
Return on equity before tax, %	12.6%	10.5%	15.5%	—	—	0.7%
Cost:income ratio	78.3%	23.1%	68.4%	8.4%	> 100%	64.5%

Profit/(loss) from financial investments in the **Investments** segment included one-off effects resulting from the sale of equity investments and from ceasing to use the equity method, and in 2011, *Profit from investments in entities accounted for using the equity method* included one-off effects resulting from impairments. See note (5) *Profit from investments in entities accounted for using the equity method* and note (6) *Profit/(loss) from financial investments* for details.

Other operating profit/(loss) in the **Management Services** segment included the banking levy and a large part of the provisions made for damage events and contingent liabilities arising from potential claims. See note (8) *Other operating profit/(loss)* for details.

Financial year 2011 €'000	Retail Banking	Corporate customers	Financial Markets	Investments	Management Services	Total
Net interest income	87,769	123,745	51,899	(56,169)	(677)	206,567
Impairment allowance balance	(7,607)	(49,412)	0	0	0	(57,019)
Net interest income after impairment charge	80,162	74,333	51,899	(56,169)	(677)	149,548
Net fee and commission income	32,822	24,234	408	0	10,121	67,585
Net trading income	3,871	2,358	(11,460)	0	3,597	(1,634)
Profit from investments in entities accounted for using the equity method	0	0	0	120,642	0	120,642
Profit/(loss) from financial investments	0	(8,013)	(44,869)	48,387	0	(4,495)
General administrative expenses	(93,939)	(37,767)	(14,254)	(1,946)	(37,637)	(185,543)
Of which staff costs	(55,484)	(23,037)	(6,452)	(423)	(14,923)	(100,318)
Of which other administrative expenses	(36,266)	(14,432)	(6,627)	(1,512)	(21,966)	(80,804)
Of which amortization	(2,189)	(298)	(1,174)	(12)	(748)	(4,421)
Other operating profit/(loss)	2,400	4,990	(39,794)	(17)	(4,962)	(37,383)
Profit for the year before tax	**25,316**	**60,135**	**(58,070)**	**110,897**	**(29,559)**	**108,720**
Average risk-weighted assets, €m	1,649	7,883	2,664	1,647	489	14,332
Average allocated equity, €m	167.0	800.0	270.0	1040.0	49.0	2326.0
Return on equity before tax, %	15.1%	7.5%	—	10.7%	—	4.7
Cost:income ratio	74.0%	24.3%	> 100%	3.0%	> 100%	52.2

Details of the Consolidated Balance Sheet

(12) CASH AND BALANCES WITH THE CENTRAL BANK

€'000	2012	2011
Cash	679,031	56,412
Total	**679,031**	**56,412**

(13) LOANS AND ADVANCES TO OTHER BANKS

€'000	2012	2011
Demand deposits	694,854	842,182
Time deposits	7,136,616	7,542,086
Other loans and advances	2,128,731	2,441,445
Debt instruments	23,799	23,890
Other	58,074	65,645
Total	**10,042,074**	**10,915,248**

Loans and advances to other banks broke down by region as follows:

€'000	2012	2011
Austria	8,833,520	9,291,660
Abroad	1,208,554	1,623,588
Total	**10,042,074**	**10,915,248**

With the exception of loans and advances hedged against the exposure to interest rate risks in a fair value hedge, the loans and advances accounted for here were classified as *Loans and receivables*.

(14) LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers broke down as follows:

€'000	2012	2011
Current accounts	1,444,473	1,374,152
Cash advances	742,068	868,213
Loans	8,185,378	7,764,954
Debt instruments	6,943	12,316
Other	86,400	74,060
Total	**10,465,262**	**10,093,695**

Applying Basel II definitions, *Loans and advances to customers* broke down as follows:

€'000	2012	2011
Public sector exposures	514,740	641,452
Retail exposures	1,651,113	1,594,301
Corporate customer exposures	8,299,409	7,857,942
Total	**10,465,262**	**10,093,695**

Loans and advances to customers broke down by region as follows:

€'000	2012	2011
Austria	9,065,614	8,617,650
Abroad	1,399,648	1,476,045
Total	**10,465,262**	**10,093,695**

With the exception of loans and advances hedged against the exposure to interest rate risks in a fair value hedge, the loans and advances accounted for here were classified as *Loans and receivables*.

(15) IMPAIRMENT ALLOWANCE BALANCE

2012 €'000	At 1 January	Added	Reversed	Used	At 31 December
Item-by-item allowances for impairment	**269,856**	**78,592**	**(28,517)**	**(23,165)**	**296,766**
Loans and advances to other banks	3,113	0	(1,082)	(1,011)	1,020
Of which abroad	3,113	0	(1,082)	(1,011)	1,020
Loans and advances to customers	266,743	78,592	(27,435)	(22,154)	295,746
Of which in Austria	243,648	74,617	(23,609)	(19,586)	275,070
Of which abroad	23,095	3,975	(3,826)	(2,568)	20,676
Collective assessment of impairment of the portfolio	**21,079**	**4,175**	**(3,342)**	**0**	**21,912**
Loans and advances to other banks	2,906	0	(1,561)	0	1,345
Loans and advances to customers	18,173	4,175	(1,781)	0	20,567
Impairment allowance balance (loans and advances) [1]	**290,935**	**82,767**	**(31,859)**	**(23,165)**	**318,678**
Risks arising from off-balance-sheet liabilities [2]	**23,597**	**10,735**	**(4,206)**	**(9,447)**	**20,679**
Total	**314,532**	**93,502**	**(36,065)**	**(32,612)**	**339,357**

1 The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.
2 Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*.

2011 €'000	At 1 January	Added	Reversed	Used	At 31 December
Item-by-item allowances for impairment	**274,506**	**53,732**	**(34,835)**	**(23,547)**	**269,856**
Loans and advances to other banks	12,140	42	(1,735)	(7,334)	3,113
Of which abroad	12,140	42	(1,735)	(7,334)	3,113
Loans and advances to customers	262,366	53,690	(33,100)	(16,213)	266,743
Of which in Austria	239,980	48,269	(28,532)	(16,069)	243,648
Of which abroad	22,386	5,421	(4,568)	(144)	23,095
Collective assessment of impairment of the portfolio	**24,616**	**1,920**	**(5,457)**	**0**	**21,079**
Loans and advances to other banks	2,821	85	0	0	2,906
Loans and advances to customers	21,795	1,835	(5,457)	0	18,173
Impairment allowance balance (loans and advances) [1]	**299,122**	**55,652**	**(40,292)**	**(23,547)**	**290,935**
Risks arising from off-balance-sheet liabilities [2]	**13,877**	**46,454**	**(6,069)**	**(30,665)**	**23,597**
Total	**312,999**	**102,106**	**(46,361)**	**(54,212)**	**314,532**

1 The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.
2 Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*.

(16) TRADING ASSETS

Trading assets contains the following held-for-trading securities and derivative financial instruments:

€'000	2012	2011
Bonds and other fixed-interest securities	**213,564**	**100,120**
Of which bonds and other securities issued by other issuers	213,564	100,120
Shares and other variable-yield securities	**1,294**	**5,068**
Of which shares	1,294	5,068
Positive fair values of derivative contracts	**266,173**	**359,988**
Of which interest rate derivatives	211,766	260,707
Of which currency derivatives	54,344	99,281
Of which equity and index derivatives	63	0
Accruals arising from derivatives	**40,369**	**100,962**
Of which interest rate derivatives	40,369	100,962
Total	**521,400**	**566,138**

(17) SECURITIES AND EQUITY INVESTMENTS

€'000	2012	2011
Bonds and other fixed-interest securities	**5,767,907**	**5,204,328**
Classified as held to maturity	1,294,473	1,397,415
Of which public-sector debt instruments eligible for rediscounting	185,536	133,882
Of which other debt instruments issued by the public sector	38,326	38,319
Of which bonds and other securities issued by other issuers	1,070,611	1,225,214
Designated as at fair value through profit or loss	1,792,483	1,974,792
Of which public-sector debt instruments eligible for rediscounting	30,091	38,659
Of which other debt instruments issued by the public sector	51,061	46,698
Of which bonds and other securities issued by other issuers	1,711,331	1,889,435
Classified as available for sale, measured at fair value	2,680,951	1,832,121
Of which public-sector debt instruments eligible for rediscounting	1,217,590	888,390
Of which other debt instruments issued by the public sector	299,272	99,657
Of which bonds and other securities issued by other issuers	1,164,089	844,074
Shares and other variable-yield securities	**475,255**	**559,196**
Designated as at fair value through profit or loss	272,447	278,028
Of which shares	1,067	875
Of which units in investment funds	246,821	250,446
Of which other variable-yield securities	24,559	26,707
Classified as available for sale, measured at fair value	174,108	252,468
Of which shares	33,403	0
Of which other variable-yield securities	140,705	252,468
Classified as available for sale, measured at cost	28,700	28,700
Of which other variable-yield securities	28,700	28,700
Equity investments	**44,400**	**44,769**
Classified as available for sale, measured at cost	44,400	44,769
Of which equity investments in unconsolidated subsidiaries[1]	9,735	9,943
Of which equity investments in associates not accounted for using the equity method	3,218	3,218
Of which other equity investments	31,447	31,608
Total	**6,287,562**	**5,808,293**

[1] This total includes non-voting non-ownership capital *(Partizipationskapital)* of *Raiffeisen-Holding NÖ-Wien* in the amount of €277 thousand (year-end 2011: €277 thousand).

Securities and equity investments broke down into valuation categories as follows:

€'000	2012	2011
Designated as at fair value through profit or loss	**2,064,930**	**2,252,820**
Bonds and other fixed-interest securities	1,792,483	1,974,792
Shares and other variable-yield securities	272,447	278,028
Classified as available for sale	**2,928,159**	**2,158,058**
Measured at fair value	2,855,059	2,084,589
Bonds and other fixed-interest securities	2,680,951	1,832,121
Shares and other variable-yield securities	174,108	252,468
Measured at cost	73,100	73,469
Shares and other variable-yield securities	28,700	28,700
Equity investments	44,400	44,769
Classified as held to maturity	**1,294,473**	**1,397,415**
Bonds and other fixed-interest securities	1,294,473	1,397,415
Total	**6,287,562**	**5,808,293**

No sales of available-for-sale financial instruments measured at cost were planned. During the financial year, available-for-sale financial instruments with a carrying amount of €2,984 thousand (2011: €0 thousand) were derecognized, generating gains less losses on disposal of negative €326 thousand (2011: gains less losses on disposal of positive €619 thousand).

In 2008, bonds issued by Austrian and foreign banks with a nominal value of €157,740 thousand and a fair value of €156,727 thousand were reclassified from the trading portfolio to the held-to-maturity portfolio. On the date of their reclassification, the estimated effective interest rates on the reclassified financial instruments lay between 3.0 per cent and 5.9 per cent. The estimated future cash flows came to €172,944 thousand. Until the time of their reclassification, valuation gains on the reclassified financial instruments recognized in *Net trading income* came to €378 thousand in 2008 (2007: negative €213 thousand).

In 2011, RLB NÖ-Wien reclassified bonds from the trading portfolio to the available-for-sale portfolio. This reclassification took place because of the shift in investment strategy from short-term trading to intended retention. Reclassification was carried out on the basis of fair values at the time of reclassification. At the time of reclassification, bonds issued by Austrian and foreign banks with a nominal value of €154,022 thousand were reclassified with a fair value of €150,604 thousand. On the date of their reclassification, the estimated effective interest rates on the reclassified financial instruments lay between 1.0 per cent and 6.6 per cent. The estimated future cash flows came to €172,637 thousand. Until the time of their reclassification, valuation gains on the reclassified financial instruments recognized in *Net trading income* came to negative €304 thousand in 2011 (2010: negative €390 thousand)

At 31 December 2012, the reclassified securities had a carrying amount of €135,477 thousand (year-end 2011: €168,682 thousand) and a fair value of €135,801 thousand (year-end 2011: €168,964 thousand). Had the financial instruments not been reclassified as the result of a change in RLB NÖ-Wien's intentions with regard to holding them, an unrealized valuation gain of €9,094 thousand (2011: unrealized valuation loss of €14,154 thousand) would have been recognized in *Net trading income*. In the 2012 financial year, interest income in the amount of €2,685 thousand was recognized after the time of reclassification (2011: €3,173 thousand) and a loss on disposal of €512 thousand was recognized (2011: €0 thousand). As in the previous year, no impairment loss on the reclassified securities was recognized in the 2012 financial year.

(18) INTANGIBLE ASSETS

€'000	2012	2011
Acquisition costs		
At 1 January	**45,843**	**42,531**
Additions	3,457	4,477
Disposals[1]	(40)	(1,165)
At 31 December	**49,260**	**45,843**
Amortization		
At 1 January	**(38,004)**	**(36,584)**
Disposals	0	564
Amortization during the financial year	(2,476)	(1,984)
At 31 December	**(40,480)**	**(38,004)**
Carrying amounts		
At 1 January	**7,839**	**5,947**
At 31 December	**8,780**	**7,839**

[1] This figure includes subsequent adjustments to acquisition and/or conversion costs.

The elimination of intragroup investments and equity upon consolidation did not give rise to any goodwill.

(19) PROPERTY AND EQUIPMENT

€'000	Land and Buildings used by the Group for its Own Operations	Other Property, Office Furniture and Equipment
Acquisition costs		
At 1 January 2012	**2,642**	**28,297**
Additions	0	2,050
Disposals[1]	0	(1,391)
At 31 December 2012	**2,642**	**28,956**
Depreciation		
At 1 January 2012	**(1,967)**	**(20,438)**
Additions	0	0
Disposals	0	1,330
Depreciation during the financial year	(61)	(2,219)
At 31 December 2012	**(2,028)**	**(21,327)**
Carrying amounts		
At 1 January 2012	**674**	**7,859**
At 31 December 2012	**614**	**7,629**

[1] This figure includes subsequent adjustments to acquisition and/or conversion costs.

€'000	Land and Buildings used by the Group for its Own Operations	Other Property, Office Furniture and Equipment
Acquisition costs		
At 1 January 2011	**2,642**	**28,102**
Additions	0	2,175
Disposals[1]	0	(1,980)
At 31 December 2011	**2,642**	**28,297**
Depreciation		
At 1 January 2011	**(1,862)**	**(20,002)**
Disposals	0	1,896
Depreciation during the financial year	(105)	(2,332)
At 31 December 2011	**(1,967)**	**(20,438)**
Carrying amounts		
At 1 January 2011	**779**	**8,100**
At 31 December 2011	**674**	**7,859**

[1] This figure includes subsequent adjustments to acquisition and/or conversion costs.

Land and buildings used by the Group for its own operations consisted exclusively of investments (structural adaptations) in such properties that did not belong to the Group itself.

Liabilities arising from the use of property and equipment not recognized on the Balance Sheet in the ensuing financial year came to €15,240 thousand (2011: €15,734 thousand). Such liabilities in the ensuing five financial years came to €75,140 thousand (2011: €77,735 thousand).

(20) OTHER ASSETS

€'000	2012	2011
Tax assets	**10,441**	**23,730**
Of which current tax assets	343	447
Of which deferred tax assets	10,098	23,283
Positive fair values of derivative hedging instruments in fair value hedges	**351,711**	**236,397**
Of which of interest rate derivatives	347,696	232,441
Of which of currency derivatives	2,136	2,705
Of which of equity and index derivatives	1,879	1,251
Positive fair values of derivative hedging instruments in cash flow hedges	**23,867**	**20,815**
Of which of interest rate derivatives	23,867	20,815
Positive fair values of derivative financial instruments designated as at fair value through profit or loss	**28,855**	**30,378**
Of which of interest rate derivatives	28,840	28,702
Of which of equity and index derivatives	11	9
Of which of credit derivatives	4	1,667
Positive fair values of other derivative financial instruments	**1,157,035**	**1,512,354**
Of which of interest rate derivatives	999,971	1,252,747
Of which of currency derivatives	155,326	257,885
Of which of equity and index derivatives	0	3
Of which of credit derivatives	1,738	1,719
Interest accruals arising from derivative financial instruments	**242,364**	**420,969**
Of which from interest rate derivatives	241,118	407,684
Of which from currency derivatives	1,034	12,983
Of which from equity and index derivatives	158	158
Of which from credit derivatives	54	144
Remaining other assets	**163,456**	**152,025**
Total	**1,977,729**	**2,396,668**

Insofar as they met the requirements for hedge accounting for the purposes of IAS 39, derivative financial instruments were designated as hedges. The fair values of derivatives were measured without accrued interest (giving clean prices).

In accordance with IAS 39, this line item also includes the positive fair values of derivative financial instruments that were neither held for trading nor hedging instruments in a fair value or cash flow hedge for the purposes of IAS 39.

The derivative financial instruments designated as at fair value through profit or loss were those derivatives that were measured in the same way as securities or liabilities evidenced by paper or subordinated liabilities using the fair value option.

DEFERRED TAX ASSETS

Tax was deferred as follows:

€'000	2012	2011
Deferred tax assets	10,098	23,283
Provisions for deferred taxes	0	0
Net deferred tax assets	**10,098**	**23,283**

Net deferred tax assets resulted from the following items on the Balance Sheet:

€'000	2012	2011
Impairment allowance balance	5,478	5,270
Securities and equity investments	0	7,951
Deposits from other banks	29,710	21,156
Deposits from customers	14,215	10,349
Liabilities evidenced by paper	36,978	25,344
Other liabilities	387,237	450,809
Provisions	11,983	4,070
Other balance sheet items	14,492	31,032
Deferred tax assets	**500,093**	**555,981**
Loans and advances to other banks	11,423	9,997
Securities and equity investments	72,530	28,225
Other assets	378,066	439,686
Other balance sheet items	21,179	15,451
Deferred tax liabilities	**483,198**	**493,359**
Impairment of deferred tax assets	**6,797**	**39,339**
Net deferred tax assets	**10,098**	**23,283**

Assets in the amount of roughly €40,288 thousand (year-end 2011: €55,806 thousand) arising from as yet unused tax loss carryforwards and deductible temporary differences were not capitalized in the Consolidated Financial Statements because, as things stood at the time, it seemed unlikely that it would be possible to realize them within a reasonable period. The taxable temporary differences for which no deferred tax liabilities were recognized in accordance with IAS 12 para. 39 came to €1,393 million (year-end 2011: €1,253 million).

(21) DEPOSITS FROM OTHER BANKS

Deposits from other banks broke down as follows:

€'000	2012	2011
Demand deposits	3,254,929	3,408,299
Time deposits	7,624,491	9,900,585
Borrowed funds	1,763,950	1,120,573
Total	**12,643,370**	**14,429,457**

€'000	2012	2011
Austria	9,916,046	12,416,993
Abroad	2,727,324	2,012,464
Total	**12,643,370**	**14,429,457**

With the exception of deposits hedged against the exposure to interest rate risks in a fair value hedge, the deposit balances accounted for here were measured at amortized cost.

(22) DEPOSITS FROM CUSTOMERS

Deposits from customers broke down into product groups as follows:

€'000	2012	2011
Sight deposits	4,439,102	3,615,226
Time deposits	1,202,245	1,113,268
Savings deposits	2,448,274	2,565,882
Total	**8,089,621**	**7,294,376**

Applying Basel II definitions, *Deposits from customers* broke down as follows:

€'000	2012	2011
Public sector	768,425	622,788
Retail customers	4,562,396	4,424,682
Corporate customers	2,318,177	1,973,182
Other	440,623	273,724
Total	**8,089,621**	**7,294,376**

Deposits from customers broke down by region as follows:

€'000	2012	2011
Austria	7,079,352	6,592,785
Abroad	1,010,269	701,591
Total	**8,089,621**	**7,294,376**

With the exception of deposits hedged against the exposure to interest rate risks in a fair value hedge, the deposit balances accounted for here were measured at amortized cost.

(23) LIABILITIES EVIDENCED BY PAPER

€'000	2012	2011
Measured at amortized cost	**5,264,492**	**3,354,763**
Issued bonds	4,378,610	2,901,265
Other liabilities evidenced by paper	885,882	453,498
Designated as at fair value through profit or loss	**664,424**	**842,014**
Issued bonds	612,399	789,366
Other liabilities evidenced by paper	52,025	52,648
Total	**5,928,916**	**4,196,777**

To avoid any accounting mismatch, the liabilities evidenced by paper that were designated as at fair value through profit or loss were measured in the same way as interest rate derivative financial instruments using the fair value option. Negative €3,984 thousand of the change in the fair values of these liabilities was accumulated in the year under review (2011: €3,728 thousand), while negative €819 thousand was attributable to changes in the default risk (2011: €3,165 thousand). The carrying amount of these liabilities was €20,048 thousand higher than the contractually agreed repayment amount (year-end 2011: €19,993 thousand). With the exception of liabilities hedged against the exposure to interest rate risks in a fair value hedge, the other liabilities accounted for here were measured at amortized cost. They also included securities listed on the Vienna Stock Exchange.

(24) TRADING LIABILITIES

Trading liabilities contains the following derivative instruments held for trading:

€'000	2012	2011
Negative fair values of derivative contracts	**261,140**	**355,535**
Of which interest rate derivatives	220,247	283,525
Of which currency derivatives	40,887	72,010
Of which equity and index derivatives	6	0
Accruals arising from derivatives	**39,928**	**102,102**
Of which interest rate derivatives	39,928	102,102
Total	**301,068**	**457,637**

(25) OTHER LIABILITIES

€'000	2012	2011
Tax liabilities	**12,969**	**10,002**
Of which current tax liabilities	12,969	10,002
Negative fair values of derivative hedging instruments in fair value hedges	**296,919**	**205,358**
Of which of interest rate derivatives	296,866	203,805
Of which of equity and index derivatives	53	1,553
Negative fair values of derivative hedging instruments in cash flow hedges	**49,674**	**53,700**
Of which of interest rate derivatives	49,674	53,700
Negative fair values of derivative financial instruments designated as at fair value through profit or loss	**82,217**	**68,129**
Of which of interest rate derivatives	82,209	68,127
Of which of equity and index derivatives	2	2
Of which of credit derivatives	6	0
Negative fair values of other derivative financial instruments	**1,223,318**	**1,621,197**
Of which of interest rate derivatives	1,070,231	1,363,679
Of which of currency derivatives	152,574	255,276
Of which of equity and index derivatives	0	580
Of which of credit derivatives	513	1,662
Interest accruals arising from derivative financial instruments	**233,718**	**422,698**
Of which from interest rate derivatives	233,261	414,520
Of which from currency derivatives	363	7,875
Of which from equity and index derivatives	65	273
Of which from credit derivatives	29	30
Contractual profit transfer	**57,469**	**57,228**
Remaining other liabilities	**104,079**	**234,390**
Total	**2,060,363**	**2,672,702**

Insofar as they met the requirements for hedge accounting for the purposes of IAS 39, derivative financial instruments were designated as hedges. The fair values of these derivatives are stated here without accrued interest (giving clean prices). In accordance with IAS 39, this line item also includes the negative fair values of derivative financial instruments that were neither held for trading nor hedging instruments in a fair value or cash flow hedge for the purposes of IAS 39. The derivative financial instruments designated as at fair value through profit or loss were those derivatives that were measured in the same way as securities or liabilities evidenced by paper or subordinated liabilities using the fair value option.

(26) PROVISIONS

€'000	2012	2011
Termination benefits	**27,673**	**23,484**
Post-employment benefits	**45,525**	**31,527**
Jubilee benefits and part-time work by older staff	**5,150**	**4,426**
Taxes	**4**	**135**
Of which current	4	135
Other	**79,306**	**29,725**
Total	**157,658**	**89,297**

PROVISIONS FOR STAFF BENEFITS

An interest rate of 3.0 per cent *per annum* (2011: 4.5 per cent) was applied when calculating provisions for termination and post-employment benefits as of the reporting date. Future increases in salaries of 3.0 per cent *per annum* were assumed in the case of employees compensated outside the scope of collective agreements (2011: 3.0 per cent), of 4.0 per cent *per annum* in the case of employees compensated under collective agreements (2011: 4.0 per cent) and of 4.5 per cent *per annum* in the case of employees compensated under the transitional collective agreement (*Überleitungskollektivvertrag*) (2011: 4.5 per cent). An increase in pensioners' post-employment benefits of 2.5 per cent *per annum* (2011: 2.5 per cent) was assumed. Increases in the salaries of members of the Managing Board were calculated individually. The biometrical basis for the computation of all provisions for 'social capital' (*Sozialkapitalrückstellung*) was provided by *AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung* (computational framework for post-employment benefit insurance) – *Pagler & Pagler* using the variant for salaried employees. Calculations took place on the basis of the earliest possible retirement ages of men and women. Individual retirement ages were only taken into account when calculating the provision for part-time work by older staff.

The provision for part-time work by older staff, which is being phased out, was calculated on the basis of parameters from the year 2008 applying an interest rate of 5.5 per cent and assuming future increases in salaries of 4.5 per cent *per annum* in the case of employees compensated under the transitional collective agreement and 3.0 per cent *per annum* in the case of employees compensated outside the scope of collective agreements.

Because of the way the pension fund's investments performed in the 2011 financial year, a top-up contribution was paid in 2012. In view of estimates made on the basis of the fund's provisional investment performance figures, a top-up contribution will not be required in respect of the 2012 financial year.

The changes in IAS 19 (2011) *Employee Benefits* were applied ahead of schedule. To improve comparability, the comparative figures for 2011 have been presented both in accordance with the prior method applying IAS 19 (2004) and in accordance with the new method applying IAS 19 (2011).

Termination benefit obligations changed as follows:

€'000	2012 IAS 19 (2011)	2011 IAS 19 (2011)	2011 IAS 19 (2004)
Present value of the defined benefit obligations at 1 January	23,484	24,264	24,264
Amortization of profit or loss	0	0	90
Service cost	1,224	1,326	1,326
Interest cost	1,026	944	944
Termination benefit payments	(1,503)	(1,160)	(1,160)
Actuarial (gain)/loss for the financial year	3,442	(1,890)	(1,980)
Due to experience adjustments	(476)	84	
Due to changes in demographic assumptions	(3,892)	196	
Due to changes in financial assumptions	7,810	(2,170)	
Present value of the defined benefit obligations at 31 December	**27,673**	**23,484**	**23,484**
Accumulated unrecognized actuarial gains/(losses)			(1,704)
Provision balance at 31 December	**27,673**	**23,484**	**21,780**

Post-employment benefit obligations changed as follows:

€'000	2012 IAS 19 (2011)	2011 IAS 19 (2011)	2011 IAS 19 (2004)
Present value of the defined benefit obligations at 1 January	65,313	71,368	71,368
Service cost	1,402	1,870	1,870
Interest cost	2,867	2,792	2,792
Transferred to defined contribution plan	(1,261)	(1,439)	(1,439)
Payments to beneficiaries	(3,046)	(3,019)	(3,019)
Actuarial (gain)/loss for the financial year	16,076	(6,259)	(6,259)
Due to experience adjustments	(123)	(130)	
Due to changes in financial assumptions	16,199	(6,129)	
Present value of the defined benefit obligations at 31 December	**81,351**	**65,313**	**65,313**

Plan assets changed as follows:

€'000	2012 IAS 19 (2011)	2011 IAS 19 (2011)	2011 IAS 19 (2004)
Fair value of the plan assets at 1 January	33,786	35,751	34,480
Expected return on the plan assets	1,529	1,430	1,456
Transferred to defined contribution plan	(1,227)	(1,074)	(1,074)
Contributions to plan assets	1,764	1,189	793
Retirement benefits paid from plan assets	(1,202)	(1,184)	(1,184)
Actuarial gain/(loss) for the financial year	1,176	(2,326)	(2,383)
Due to experience adjustments	1,176	(2,326)	
Fair value of the plan assets at 31 December	**35,826**	**33,786**	**32,088**

Reconciliation of the present value of the post-employment benefit obligations and the fair value of the plan assets to recognized provisions:

€'000	2012 IAS 19 (2011)	2011 IAS 19 (2011)	2011 IAS 19 (2004)
Present value of the defined benefit obligations at 31 December	81,351	65,313	65,313
Fair value of the plan assets at 31 December	35,826	33,786	32,088
Net obligations	**45,525**	**31,527**	**33,225**
Accumulated unrecognized actuarial gains/(losses)			(13,495)
Provision balance at 31 December	**45,525**	**31,527**	**19,730**

Breakdown of post-employment benefit obligations by beneficiaries:

€'000	2012 IAS 19 (2011)	2011 IAS 19 (2011)
Present value of the defined post-employment benefit obligations at 31 December	**81,351**	**65,313**
Of which benefit obligations to actively employed beneficiaries	32,746	22,674
Of which obligations to beneficiaries who have left the organization but who have vested entitlements	1,490	1,685
Of which obligations to pensioners	47,115	40,954

The plan assets were structured as follows:

Per cent	2012	2011
Bonds and other fixed-interest securities	55.13	56.75
Shares and other variable-yield securities	32.53	12.81
Property	4.69	3.55
Other	7.65	26.89
Total	**100.00**	**100.00**

The plan assets did not include any financial instruments issued by *RLB NÖ-Wien AG* or other assets that were being utilized by the RLB NÖ-Wien Group.

Changes in actuarial parameters had the following effects on the present values of defined benefit obligations as at 31 December 2012:

	Parameter Change	Percentage Effect on DBO	Parameter Change	Percentage Effect on DBO
Provisions for post-employment benefits				
Applied interest rate	0.50%	(7.90)	(0.50%)	9.00
Retirement age	1 year	(1.20)	(1 year)	2.90
Increase in basis of assessment	0.50%	9.00	(0.50%)	(7.90)
Remaining life expectancy	1 year	5.00	(1 year)	(3.00)
Provisions for termination benefits				
Applied interest rate	0.50%	(5.00)	(0.50%)	5.50
Retirement age	1 year	(1.20)	(1 year)	1.20
Increase in basis of assessment	0.50%	5.40	(0.50%)	(5.00)
Staff fluctuation	1.00%	(8.90)	(1.00%)	2.10

The weighted remaining duration of the obligations broke down as follows:

Years	2012	2011
Termination benefit obligations	10.2	10.5
Post-employment benefit obligations	16.5	15.3

Provisions for jubilee benefits and part-time work by older staff changed as follows:

€'000	2012	2011
Present value of the defined benefit obligations at 1 January	4,426	4,557
Obligations transferred without being recognized in profit or loss	1	(2)
Service cost	291	316
Interest cost	192	177
Payments	(260)	(271)
Actuarial (gain)/loss for the financial year	501	(351)
Present value of the defined benefit obligations at 31 December	**5,151**	**4,426**

Estimate of amounts that will be paid into the plan in the ensuing year (adjusted by the amount of payments from the plan assets):

€'000	2013
Post-employment benefit obligations	10

Breakdown of expenditure on defined contribution plans:

€'000	2012	2011
Expenditure on defined contribution plans	**1,570**	**1,455**
Of which on defined contribution plans (pension fund)	1,000	913
Of which on staff benefit fund (*Mitarbeitervorsorgekasse*)	570	542

OTHER PROVISIONS

The other provisions changed as follows:

€'000	2012	2011
At 1 January	29,725	17,283
Added	64,921	21,563
Released	(4,960)	(7,580)
Used	(10,380)	(1,541)
At 31 December	**79,306**	**29,725**

The line item *Other provisions* includes provisions for guarantees in the amount of €11,747 thousand (year-end 2011: €8,371 thousand) and provisions for damage events and contingent liabilities arising from potential customer complaint claims in the amount of €53,814 thousand (year-end 2011: €3,817 thousand), some of which resulting from pending court cases.

(27) SUBORDINATED DEBT CAPITAL

€'000	2012	2011
Measured at amortized cost	**663,836**	**663,536**
Subordinated debt	353,004	358,221
Supplementary capital	310,832	305,315
Designated as at fair value through profit or loss	**43,770**	**40,889**
Subordinated debt	43,770	40,889
Total	**707,606**	**704,425**

Subordinated liabilities were designated as at fair value through profit or loss if such a designation eliminated or substantially reduced mismatches in measurement or approach (accounting mismatches).

This applied to subordinated liabilities measured in the same way as interest rate derivative financial instruments using the fair value option. €953 thousand of the change in the values of those liabilities was accumulated in the year under review (2011: €1,975 thousand), and €2,490 thousand was attributable to changes in default risk (2011: €1,536 thousand). The carrying amount of such liabilities was €11,800 thousand lower than the contractually agreed repayment amount (year-end 2011: €14,680 thousand). With the exception of liabilities hedged against the exposure to interest rate risks in a fair value hedge, the other liabilities accounted for here were measured at amortized cost.

(28) EQUITY

€'000	2012	2011
Attributable to equity holders of the parent	**2,421,659**	**2,256,277**
Subscribed capital	214,520	214,520
Non-voting non-ownership capital (*Partizipationskapital*)	76,500	76,500
Capital reserves	432,688	432,688
Retained earnings	1,697,951	1,532,569
Minority interests	**56**	**92**
Total	**2,421,715**	**2,256,369**

In accordance with a decision made at the Annual General Meeting held on 30 April 2008, the Managing Board was authorized, subject to the Supervisory Board's approval, to raise the share capital of *RLB NÖ-Wien AG* in the period up to and including 30 April 2013 by up to €25,000 thousand through the issuance of up to 250,000 new, registered no-par shares. By virtue of this authority, the Managing Board decided, in a decision dated 17 November 2008, to raise the share capital of *RLB NÖ-Wien AG* by €15,323 thousand through the issuance of 153,228 new, registered voting no-par shares (ordinary shares) with a nominal value of €100.00 each at an issue price of €1,738.00 per share. Another 96,772 new, registered no-par shares could be issued under this authority.

In 2008, *RLB NÖ-Wien AG* issued 765,000 registered non-voting non-ownership 'participation' certificates (*Partizipationsschein*) within the meaning of *§ 23 Abs. 3 Z. 8.* in conjunction with *Abs. 4* und *Abs. 5 BWG*. One participation certificate has a nominal value of €100.00. The non-voting non-ownership capital has been furnished for the duration of the enterprise and rights of ordinary and extraordinary termination have been waived. Returns on the non-voting non-ownership capital will depend on profits. During 2012, the terms and conditions of the non-voting non-ownership capital (*Partizipationskapital*) were amended in line with the stricter requirements of the Basel III regime. Because of the changes to the terms and conditions of the non-voting non-ownership 'participation' certificates (*Partizipationsschein*) and the profit transfer agreement (*Ergebnisabführungsvertrag*), no direct distribution on the non-voting non-ownership capital was paid out in respect of the year 2012 (2011: €3,825 thousand).

The Annual General Meeting on 7 May 2010 voted to authorize the Managing Board to issue non-voting non-ownership capital (*Partizipationskapital*) within the meaning of *§ 23 Abs. 4 BWG* within a period of five years up to a nominal total of €300 million.

Because of the profit-transfer agreement in place with *Raiffeisen-Holding NÖ-Wien*, the principal equity holder of RLB NÖ-Wien, profit within the meaning of UGB/BWG (Austrian enterprises code and Austrian banking act) remaining after transfers to the contractually provided reserves is transferred to and assumed by *Raiffeisen-*

Holding NÖ-Wien. The transferable amount is booked as a liability. In accordance with the profit-transfer agreement, the minority shareholders of RLB NÖ-Wien and the holders of its non-voting non-ownership 'participation' certificates receive a compensatory payment from *Raiffeisen-Holding NÖ-Wien*.

The RLB NÖ-Wien Group's equity management activities are an important element of medium-term planning. They are regularly reviewed and updated. The goal of our equity management activities is to ensure a sustained supply of own funds so as to give timely support to the RLB NÖ-Wien Group's growth. The definition of equity is based on regulatory own funds requirements (see note (48) *Regulatory own funds*). Pursuant to *§ 39a BWG*, it is moreover still one of the legal duties of care imposed on banks to ensure that they have sufficient equity to protect themselves against all material operational and other banking risks (see our remarks on *Overall bank management and risk-bearing capacity* in note (29) *Risks arising from financial instruments [Risk Report]*). There were no material changes in the capital management process during the financial year under review compared with the previous year. The legislative minimum own funds requirements as set out in BWG were adhered to throughout the financial year both at the bank level and at the level of the credit institution group (*Kreditinstituts-gruppe*) of *Raiffeisen-Holding NÖ-Wien*.

NOTES ON FINANCIAL INSTRUMENTS

(29) RISKS ARISING FROM FINANCIAL INSTRUMENTS (RISK REPORT)

The following notes contain disclosures of the nature and extent of risks arising from financial instruments in accordance with IFRS 7 para. B6.

RISK POLICY

The integrated risk management process at RLB NÖ-Wien is based on its risk policy and the accompanying strategies. Risk policy also includes the definition of risk management principles, the setting of limits for every relevant risk and risk monitoring procedures. RLB NÖ-Wien's risk strategy is laid down by the Managing Board on an annual basis.

The professional management of risks in every area of banking is a core task and, therefore, a decisive competitive factor for every bank. It consists of capturing and measuring risks and monitoring and managing them close to real time. RLB NÖ-Wien sees risk management as a proactive corporate function. The primary focus is on optimizing risk and returns; in other words, on *managing opportunities and risks*.

RLB NÖ-Wien has elected to use its website in the Internet as its disclosure medium for the purposes of *§ 26 BWG* and the *Offenlegungsverordnung* (Austrian disclosures directive). Disclosures are published and can be accessed on RLB NÖ-Wien's website at www.raiffeisenbank.at/eBusiness.

RISK MANAGEMENT AND RISK CONTROLLING

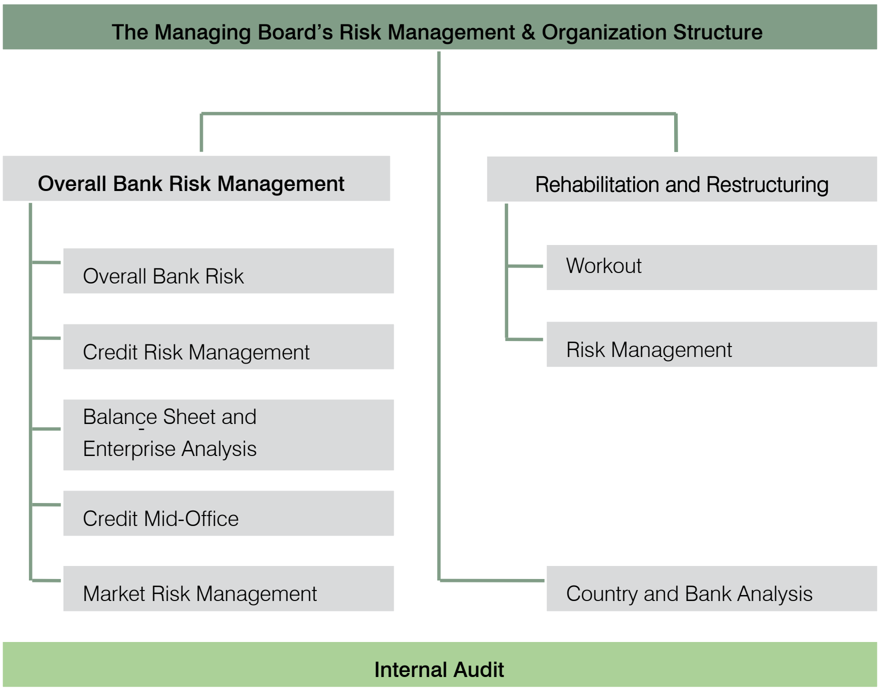
RLB NÖ-Wien employs well-established methods of risk management and risk controlling to ensure the bank's profitability and security in the interests of its customers and its owners.

RLB NÖ-Wien's risk management activities are based on clearly defined responsibilities and the separation of front-office functions from risk management functions. Risk management at RLB NÖ-Wien makes use of regular analyses of risk-bearing capacities to provide the basis for an integrated overall bank management process (i.e. tying together earnings and risk management in every business segment). All relevant risks in the bank are captured and subjected to a strategically optimized management process that takes account of the bank's own funds and employs a suitable system of limits. RLB NÖ-Wien's organizational processes and procedures are based on the requirements of the Internal Capital Adequacy Assessment Process (ICAAP). Since 2008, RLB NÖ-Wien has been using the standardized approach to calculate its regulatory own funds requirement (in accordance with *§ 22a BWG*).

Risk controlling and risk management units and special committees that are independent of the front-office units support the Managing Board in the performance of its risk-related tasks.

The Overall Bank Risk Committee (*Gesamtbank-risikorunde*) is the working committee that discusses RLB NÖ-Wien's risk position on the basis of analysis of the bank's overall risk-bearing capacity, numerous individual risk analyses and market analyses and makes strategic risk decisions. The committee consists of the Managing Board member responsible for the Risk Management & Organization Division (RMO), the Managing Board member responsible for the Corporate Customers Division (KOM), the Head of Overall Bank Risk Management (RMG), the Head of Rehabilitation and Restructuring (SAN), the Head of Overall Bank Management/ Finance (GBF), the heads of the Head Office departments that take risks, the Head of Internal Audit (IRE), the head of the Credit Mid-Office (KMO), the Head of Country and Bank Analysis (LBA)—to help gather risk information relating to sovereign and bank exposures—and a representative of *Raiffeisen-Holding NÖ-Wien*. The committee works under the direction of the Head of RMG, meeting once a quarter. Final decisions are made during meetings of the Managing Board and presented to the Supervisory Board on a quarterly basis by the Managing Board member responsible for risk.

The organizational structure of the risk management units within the RMO Division was changed as follows as of 15 October 2012:



RMG—a Head Office department—together with the associated sub-departments Overall Bank Risk (GBR), Credit Risk Management (KRM), Balance Sheet and Corporate Analysis (BUA), the Credit Mid-Office (KMO) and Market Risk Management (MRM), is incorporated into the RMO Division and reports directly to the responsible member of the Managing Board. This ensures that RMG acts independently from the front-office divisions.

Risk analyses are carried out in the responsible sub-departments of this Head Office department within the scope of the specified risk controlling process. It is where all the relevant risk analysis activities such as credit, market, liquidity, equity investment and operational risk analysis converge. Rehabilitation and Restructuring (SAN)—a Head Office department—with its sub-departments Special Workout (SOG) and Risk Administration (RIV) is also integrated into the RMO Division—which reports directly to the Managing Board—as a second organizational tier of the risk process.

RLB NÖ-Wien’s risk appetite is defined by way of the overall bank risk limits set by the Managing Board. GBR continuously monitors risks and adherence to limits at the overall bank level on the basis of the results of risk-bearing capacity analysis.

All the tasks, bodies, reports, procedures and organizational units involved in the risk management process together with their responsibilities are defined and described in detail in the *Raiffeisen-Holding NÖ-Wien Group*’s Risk Management Manual (*Handbuch Risikomanagement*). It is updated annually by the GBR Department in collaboration with KMO, MRM, SAN—a Head Office department—LBA and the Risk Management Department (RIM) of *Raiffeisen-Holding NÖ-Wien* and adopted by the Managing Board of RLB NÖ-Wien and the management of *Raiffeisen-Holding NÖ-Wien*. This ensures that a coordinated process is in place within the bank to capture, limit, measure, report and document risks.

In addition, RLB NÖ-Wien produces an overview of all the principal risk categories and sub-risk categories with an assessment of the materiality of each risk category in the form of a risk map, which is revised annually.

As an integral part of the risk controlling and risk management system, Internal Audit at RLB NÖ-Wien audits the effectiveness of the internal control system and of workflows, processes and internal controls thereof at RLB NÖ-Wien.

MANAGEMENT OF OVERALL BANK RISK AND RISK-BEARING CAPACITY

During RLB NÖ-Wien's overall bank risk management process, the bank's existing risk covering potential (profit, equity and hidden reserves) is compared with all its material risks. These are measured using well-established methods and employing appropriate systems.

Mirroring RLB NÖ-Wien's business strategy, the following of the bank's risk categories have been identified as material risks:

- credit risk
- equity investment risk
- market risk
- operational risk
- liquidity risk
- other risks, including macroeconomic risks

Both the bank's risk covering potential and the risks are presented in the light of two scenarios (extreme case and liquidation case). The one is a going concern scenario with a confidence interval of 99 per cent designed to ensure the enterprise's continued existence. This is the bank's management scenario. The other is a going concern scenario that conforms to regulatory requirements. After allowing for all risks and applying a confidence interval of 99.9 per cent, it is designed to guarantee that sufficient capital is available to protect creditors.

The central instrument that brings together and captures all risk-related information is the quarterly analysis of the bank's risk-bearing capacity. This analysis and the overall bank risk limits for each risk category and business segment that are derived from it set the limit on the bank's aggregated overall risk, which constitutes its risk appetite. In other words, risk-bearing capacity analysis is the starting point for RLB NÖ-Wien's risk policy, which limits risk activities to a level that is appropriate for the bank.

For a number of years, RLB NÖ-Wien's risk management activities have included stress tests carried out both at the level of individual risk categories and at the level of overall bank risk to conform to industry standards. Based on macroeconomic parameters, RLB NÖ-Wien analyzes both 'bad case' and 'worst case' scenarios for all the relevant risk categories during the bank's overall stress testing process and simulates their impact on the bank's equity ratios. Measures to mitigate and limit risks are continually being developed on the basis of the stress test analyses.

CREDIT RISK

RLB NÖ-Wien defines credit risk as the risk of the loss that it might suffer if a customer or counterparty fails to discharge a contractual obligation. On the one hand, credit risk results from traditional lending operations (loan losses with the consequent management of the loan exposure in response to any decline in creditworthiness). On the other, it results from trading in and acquiring market risk instruments (counterparty default risk in the case of derivatives).

Credit risk also includes the country or transfer risk caused by countries in emergency situations and counterparty risk arising from derivative transactions. Country and transfer risk involve a debtor being unable to discharge an obligation as a result of a state's sovereign action. Transfer risk also includes the risk that debts of a country in financial difficulties could be rescheduled (i.e. deferred for several years) under an intergovernmental agreement. This risk is limited separately.

RLB NÖ-Wien takes account of the counterparty default risk on derivatives within the scope of its calculations of regulatory own funds during the risk-bearing capacity analysis process. The risk associated with these transactions is minimized by netting (offsetting receivables and payables). A global limits system is in place to steer the assignment of economic capital. It takes account of RLB NÖ-Wien's risk-bearing capacity (and all its risks). Risk limits are set at the level of each business unit and category of risk. Besides these overall bank risk limits, RLB NÖ-Wien also has an extensive system of lines and limits for treasury transactions. It is made up of the Treasury Limits Framework and the Products, Services, Limits and Markets Catalogue.

As part of the strategic credit management process, the Managing Board formulates and implements all of the bank's strategic goals and actions according to the risks concerned in a credit risk strategy. This is an integral part of the bank's corporate and segmental strategies and interacts with all other (sub-)strategies. Stipulation of the segments within the bank where loans can be granted and specification of the products that can be used to this end also take place here.

Credit risk is a major component of risk at RLB NÖ-Wien. Consequently, as part of the credit and risk management process, sales units receive support from RMG—a Head Office department—together with its sub-departments Credit Risk Management (KRM), Balance Sheet and Corporate Analysis (BUA), the Credit Mid-Office (KMO), Market Risk Management (MRM) and Overall Bank Risk (GBR) and, where customer exposures necessitate assistance, Rehabilitation and Restructuring (SAN)—a Head Office department—with its sub-departments Special Workout (SOG) and Risk Administration (RIV). The tasks of these organizational units include both providing support and control during the measurement and management of credit risk and carrying out rehabilitation and restructuring and, under some circumstances, liquidating the troubled exposure. Credit risks at RLB NÖ-Wien are monitored and analyzed both loan-by-loan for each customer and on a portfolio basis. Credit risk management processes and credit decisions are based on the risk policy approved by the Managing Board of RLB NÖ-Wien. Lending principles are laid down in writing in RLB NÖ-Wien's risk policy framework and in its Risk Management Manual (*Handbuch Risikomanagement*), which, in particular, contain business policy statements regarding credit scoring, collateral and return and risk requirements.

To safeguard a sustained market presence, RLB NÖ-Wien has an extensive credit limits system in place at the overall bank level and spanning banks, countries and corporate customers. When looking at individual exposures, care is taken to ensure that the bank's approval ceilings are kept below regulatory limits. This means that an exposure greater than or equal to 7.5 per cent of RLB NÖ-Wien's own funds will already be submitted to the Supervisory Board for approval even if this is not a legislative requirement.

The risk content of an exposure is captured using an extensive rating system. Various model variants are employed, depending on what is required in the customer segments in question. When assessing credit standing, RLB NÖ-Wien employs a rating system that is supplemented by a scoring model in the retail customer segment used to classify risks and gauge default risk. The rating models use ten credit quality classes and ten collateral classes, satisfying the requirements of Basel II.

The credit process and the involvement of experts from RMG and the Credit Back-Office (KBO), both of which are Head Office departments, encompass every requisite kind of monitoring measure. Monitoring measures are built directly or indirectly into the workflows being monitored. Before a loan involving a risky exposure is approved, KRM and the BUA Department will be involved in the exposure assessment procedure as part of the credit risk management process; and before a loan to a bank or a loan involving country risk is approved, LBA, which is an organizational unit, will also be involved in the exposure assessment procedure.

Alongside the calculation of internal ratings during the loan approval process, collateral taken is also valued and checked on the basis of a predetermined collateral assessment catalogue that lays down predefined risk charges. This catalogue is regularly reviewed and revised. Collateral is captured within the scope of a separate collateral management system and continuously reassessed. The Financial Services Department (FIS) performs collateral management for derivatives operations on a daily basis.

The periodic updating of ratings and assessments of collateral also includes regularly recognizing any impairment allowances that may be required. Direct loan receivables that are highly unlikely to be recoverable are revalued, taking assigned collateral into account, and provisions are created for claims under guarantee credits. RLB NÖ-Wien has a default database that allows it to evaluate and analyze material risk parameters even more effectively. Special crisis cases are handled and processed as the occasion arises by the Problem Exposures Task Force set up for this purpose.

Besides portfolio data, the credit risk reports prepared by the KMO Department also report changes within the portfolio. Together with the results of risk-bearing capacity analysis, they provide the basis for appropriate steering action and other measures.

The expected loss and the collateral situation are reflected by the bank's standard risk costs. Together with liquidity, own funds and unit costs, these are key variables in RLB NÖ-Wien's management performance calculations, which are carried out employing the *market interest rate method*. Taking these factors into account places the necessary emphasis on the relationship between risk and return. Various analyses of the bank's current risk profile are fixed elements of its reporting system.

Aggregated credit risk at the overall portfolio level is measured and managed on the basis of credit value at risk using a portfolio model. RLB NÖ-Wien calculates its credit value at risk using Monte Carlo simulations. The credit value at risk is brought into the bank's extreme case and liquidation case risk-bearing capacity analysis scenarios (99 per cent and 99.9 per cent confidence interval, respectively). When calculating credit value at risk within the scope of risk-bearing capacity analysis, RLB NÖ-Wien bases its calculations on a risk horizon of one year.

The table below provides a breakdown of loans (credit exposures inclusive of guarantees and the positive fair values of derivatives) applying RLB NÖ-Wien's internal ratings and the item-by-item impairment charges applied in each case (in thousands of euros):

Internal Rating	2012	Per Cent	Collateral	Impairment Charge Recognized on Item-by-item Basis	2011	Per Cent	Collateral	Impairment Charge Recognized on Item-by-item Basis
0.5 Minimal risk	2,308,433	7.6	86,856	0	1,763,135	5.7	69,568	0
1.0 Excellent credit standing	2,034,866	6.7	485,324	0	2,777,637	9.0	408,111	0
1.5 Very good credit standing	15,969,255	52.6	2,636,996	0	16,488,857	53.1	2,546,824	1,205
2.0 Good credit standing	3,919,535	12.9	1,450,328	0	3,234,763	10.5	1,306,293	361
2.5 Average credit standing	2,147,732	7.1	988,348	0	2,270,299	7.3	1,075,267	603
3.0 Mediocre credit standing	1,997,525	6.6	1,031,981	0	2,245,141	7.2	1,035,793	6,536
3.5 Weak credit standing	600,009	2.0	447,287	0	910,571	2.9	493,369	7,427
4.0 Very weak credit standing	285,346	0.9	202,400	0	557,907	1.8	454,799	41,439
4.5 Doubtful/high default risk	28,844	0.1	20,609	0	197,202	0.6	59,083	50,527
5.0 Default	36,861	0.1	16,726	15	261,595	0.8	58,091	161,643
5.1 Default	516,787	1.7	121,755	189.248	0	0.0	0	0
5.2 Default	157,751	0.5	23,478	107.503	0	0.0	0	0
Unrated	372,042	1.2	30,128	0	325,901	1.1	33,133	116
Total	**30,374,986**	**100.0**	**7.542.216**	**296.766**	**31,033,008**	**100.0**	**7,540,330**	**269,856**

The portfolio impairment charge came to €21,912 thousand in 2012, compared with €21,079 thousand in 2011. Collateral values are presented on the basis of the bank's internal collateral approaches and capped at the amounts receivable.

During 2012, receivables in default class 5.0 under the Basel II default definition were subdivided into three default classes, namely 5.0, 5.1 and 5.2 (instead of just 5.0). At the same time, all receivables for which impairment allowances had been recognized and receivables that were 90 days or more overdue were assigned to these default classes.

The table below presents RLB NÖ-Wien's credit exposure minus customer accounts for which impairment allowances had been recognized and overdue customer accounts (in thousands of euros):

Internal Rating		2012	Per Cent	2011	Per Cent
0.5	Minimal risk	2,308,433	7.7	1,763,135	5.8
1.0	Excellent credit standing	2,034,867	6.8	2,777,075	9.1
1.5	Very good credit standing	15,969,255	53.1	16,472,474	53.9
2.0	Good credit standing	3,919,535	13.1	3,232,399	10.6
2.5	Average credit standing	2,147,732	7.2	2,265,637	7.4
3.0	Mediocre credit standing	1,997,525	6.6	2,228,028	7.3
3.5	Weak credit standing	600,009	2.0	896,006	2.9
4.0	Very weak credit standing	285,346	1.0	469,284	1.5
4.5	Doubtful/high default risk	28,845	0.1	111,791	0.3
5.0	Default	14,368	0.0	39,217	0.1
5.1	Default	202,146	0.7	0	0.0
5.2	Default	145,217	0.5	0	0.0
	Unrated	372,042	1.2	325,381	1.1
	Total	**30,025,320**	**100.0**	**30,580,426**	**100.0**

The table below presents all held-to-maturity and available-for-sale loans and receivables and securities entailing credit risk:

	Loans to and Receivables from Customers		Loans to and Receivables from Other Banks		Securities	
€'000	2012	2011	2012	2011	2012	2011
Loan exposure	10,465,262	10,093,695	10,042,074	10,915,248	4,178,232	3,510,704

Appropriate impairment losses were also recognized on problem exposures (non-performing loans). Broken down by region, customer exposures broke down as follows as a result:

	Austria		*Centrope* Region		Rest of EU		Other	
€'000	2012	2011	2012	2011	2012	2011	2012	2011
Financial Institutions	**8,897,411**	**9,386,907**	**8,184**	**140,803**	**998,283**	**1,198,742**	**201,686**	**284,020**
Non-performing	2,900	0	0	0	510	523	115	2,197
Impairment charge on loans and advances	1,425	0	0	0	510	521	115	2,197
Corporate Customers	**6,872,683**	**6,353,096**	**515,461**	**530,728**	**575,724**	**607,423**	**273,926**	**300,357**
Non-performing	404,880	259,781	0	57	38,091	42,894	0	0
Impairment charge on loans and advances	186,955	151,902	0	0	19,823	22,109	0	0
Retail Customers	**1,573,708**	**1,510,656**	**4,156**	**3,195**	**13,559**	**14,424**	**17,098**	**18,857**
Non-performing	140,251	129,539	110	108	421	339	890	1,416
Impairment charge on loans and advances	85,872	86,752	3	104	188	192	814	1,132
Sovereigns	**486,809**	**575,470**	**0**	**0**	**0**	**0**	**121**	**142**
Non-performing	15,520	10,852	0	0	0	0	0	0
Impairment charge on loans and advances	532	3,957	0	0	0	0	0	0
Other	**68,523**	**83,182**	**0**	**1**	**1**	**4**	**5**	**939**
Non-performing	654	1,012	0	0	0	0	0	0
Impairment charge on loans and advances	530	991	0	0	0	0	0	0

The following table presents RLB NÖ-Wien's past due customer balances (in thousands of euros):

Internal Rating		2012	Per Cent	Collateral	2011	Per Cent	Collateral
0.5	Minimal risk	0	0.0	0	0	0.0	0
1.0	Excellent credit standing	0	0.0	0	14	0.0	0
1.5	Very good credit standing	0	0.0	0	823	0.4	579
2.0	Good credit standing	0	0.0	0	878	0.4	132
2.5	Average credit standing	0	0.0	0	2,360	1.0	571
3.0	Mediocre credit standing	0	0.0	0	2,804	1.2	1,090
3.5	Weak credit standing	0	0.0	0	1,968	0.9	315
4.0	Very weak credit standing	0	0.0	0	3,473	1.5	1,431
4.5	Doubtful/high default risk	0	0.0	0	12,992	5.6	5,416
5.0	Default	22,486	26.3	8,201	205,763	89.0	48,275
5.1	Default	30,061	35.2	21,546	0	0.0	0
5.2	Default	32,832	38.5	20,990	0	0.0	0
	Unrated	0	0.0	0	102	0.0	0
	Total	**85,379**	**100.0**	**50,737**	**231,177**	**100.0**	**57,809**

As already shown in the tables presenting the structure of the loan portfolio, receivables in default class 5.0 under the Basel II default definition were split into three default classes, namely 5.0, 5.1 and 5.2 (instead of just 5.0) during the 2012 financial year. At the same time, the valuation process was also adapted accordingly and all receivables for which impairment allowances had been recognized and receivables that were 90 days or more overdue were assigned to these default classes.

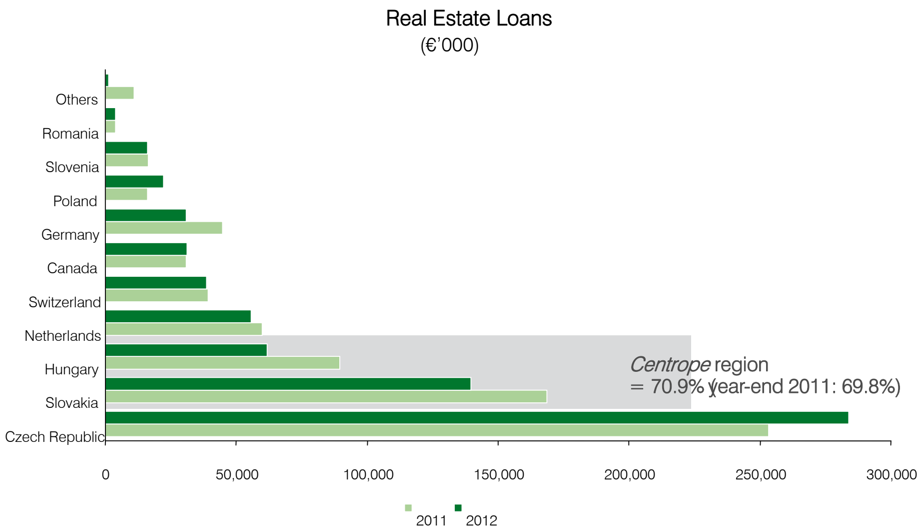
At the end of the 2012 financial year, impairment losses had not been recognized on past due customer balances totalling €27,262 thousand (year-end 2011: €20,339 thousand). The age structure of the past due customer balances for which impairment losses had not been recognized is presented below:

Past Due	2012	Per Cent	2011	Per Cent
Up to 30 days	12,713	46.6	5,494	27.0
31 – 60 days	2,295	8.4	1,900	9.3
61 – 90 days	3,995	14.7	1,800	8.9
Over 90 days	8,259	30.3	11,145	54.8
Total	**27,262**	**100.0**	**20,339**	**100.0**

At the end of 2012, RLB NÖ-Wien had a real estate loan portfolio of €3,188,741 thousand (year-end 2011: €3,545,975 thousand). The table below is more detailed than the table for 2011 and the comparative figures for 2011 have been restated accordingly.

				2012				2011
Category	Austria	Per Cent	Abroad	Per Cent	Austria	Per Cent	Abroad	Per Cent
Lofts/loft developments	19,720	0.8	2,450	0.4	11,184	0.4	2,454	0.3
Energy	45,565	1.8	0	0.0	96	0.0	0	0.0
Unsubsidized residential construction	504,667	20.2	3,040	0.4	561,532	20.0	3,860	0.5
Leisure and sport	3,624	0.2	0	0.0	8,679	0.3	0	0.0
Subsidized residential construction	540,927	21.6	0	0.0	747,551	26.6	0	0.0
Wholesaling and retailing premises	322,672	12.9	221,679	32.4	354,202	12.6	200,229	27.3
Hotel and catering	192,998	7.7	100,774	14.7	235,448	8.4	129,603	17.7
Motor vehicles	2,372	0.1	0	0.0	2,855	0.1	10,718	1.5
Agriculture and forestry	8,574	0.3	0	0.0	10,211	0.4	0	0.0
Public facilities	76,349	3.0	0	0.0	1,237	0.0	0	0.0
Other residential property	44,708	1.8	852	0.1	32,266	1.1	270	0.0
Welfare	72,965	2.9	2,000	0.3	68,107	2.4	14,552	2.0
Special real estate	118,135	4.7	0	0.0	97,458	3.5	0	0.0
Standard commercial property	347,312	13.9	353,001	51.5	452,177	16.1	368,251	50.2
Apartment buildings	203,239	8.1	1,118	0.2	203,525	7.2	933	0.1
Other	0	0.0	0	0.0	25,968	0.9	2,609	0.4
Total	**2,503,827**	**100.0**	**684,914**	**100.0**	**2,812,496**	**100.0**	**733,479**	**100.0**

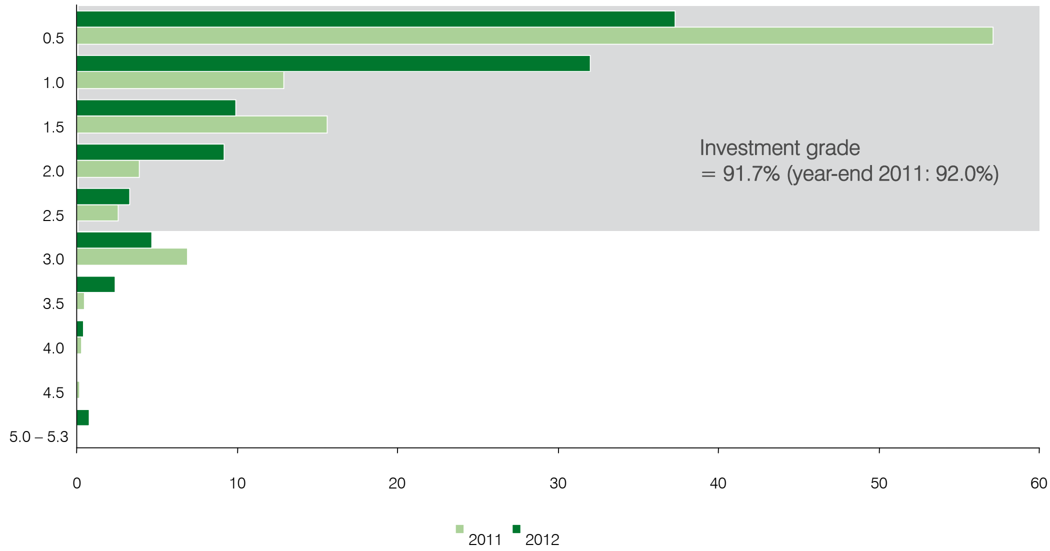
At year-end 2012, most of the real estate loan exposure, namely 78.5 per cent, was Austrian (year-end 2011: 79.3 per cent). Just 21.5 per cent of the real estate loan portfolio was foreign (year-end 2011: 20.7 per cent). A breakdown of the foreign real estate loan exposure by country shows a strong predominance of the *Centrope* region (in thousands of euros).



The chart below depicts the percentage distribution of country limits based on internal ratings in the 2012 financial year and, by way of comparison, in the 2011 financial year:

Distribution of Country Limits based on Internal Ratings

(%)



Risk concentrations at RLB NÖ-Wien are also monitored within the scope of country risk measurements and limited by way of special country limits. At the end of 2012, 91.7 per cent (year-end 2011: 92.0 per cent) of the approved country limits were in investment grade classes and a total of 79.0 per cent (year-end 2011: 86.0 per cent) were assigned to one of the three best rating classes (0.5 to 1.5).

RLB NÖ-Wien reacted to the economic changes in Europe in good time with massive cuts in country limits and the complete suspension of certain lines. In addition, at the beginning of May 2010, it suspended all Greek, Portuguese, Spanish and Irish issuers' lines.

The table below presents the carrying amounts of the most important receivables from public sector debtors arising from securities.

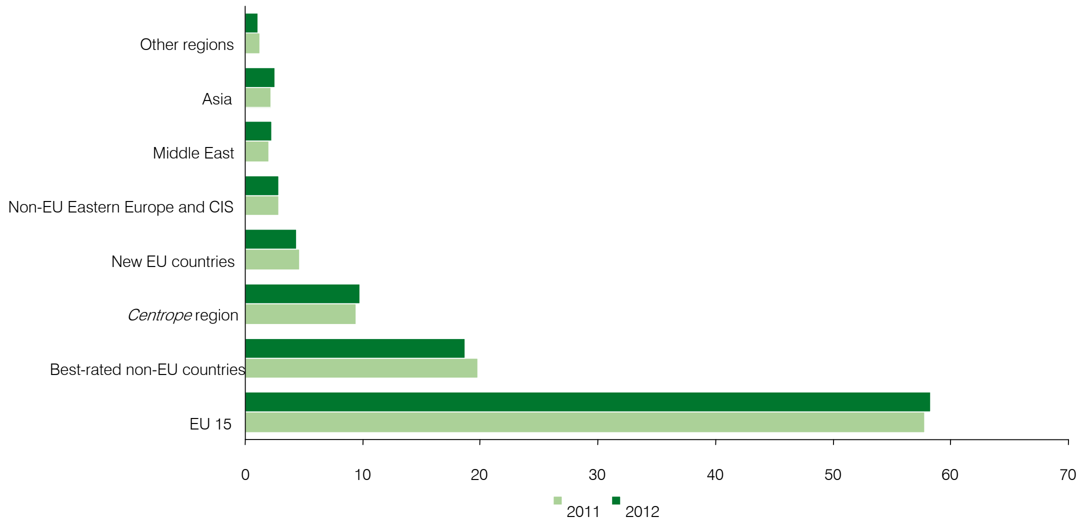
				31/12/2012				31/12/2011
€'000	Held for Trading	Available for Sale	Held to Maturity	Fair Value Option	Held for Trading	Available for Sale	Held to Maturity	Fair Value Option
Austria	0	842,312	73,764	39,837	0	562,379	20,683	36,471
France	0	211,444	0	0	0	178,594	0	0
Italy	0	51,816	105,355	0	0	42,070	106,113	0
Hungary	0	0	15,601	3,120	0	0	15,608	2,505
Spain	0	0	0	0	0	0	0	12,878
Portugal	0	16,743	0	0	0	12,116	0	0
Greece	0	0	0	0	0	0	1,234	0

There were hidden liabilities (the effect of impairments on profit in the Income Statement) in the amount of €1.1 million (year-end 2011: €17.8 million) in connection with public sector debtors (sovereign debt risk) in Portugal, Spain, Hungary and Greece in respect of debts with a carrying amount of €35.5 million (year-end 2011: €44.3 million). Impairment charges in the amount of €14.6 million (2011: €0 million) were recognized in respect of available-for-sale Portuguese government bonds (impairment allowances net of write-backs). No impairment allowances were recognized on held-to-maturity securities during the financial year (2011: €1.0 million). Impairment allowances in the amount of €0.6 million were recognized in respect of securities designated as at fair value through profit or loss (2011: €1.3 million). RLB NÖ-Wien had no sovereign debt exposure to the countries listed above by way of credit default swaps (CDSs).

Attention was also paid to the regional distribution of country limits. The chart below depicts the percentage distributions of country limits in 2012 and 2011. *Best-rated non-EU countries* includes countries like the United States, Japan and Singapore that have *Moody's* ratings of at least Aa3.

Regional Distribution of Country Limits

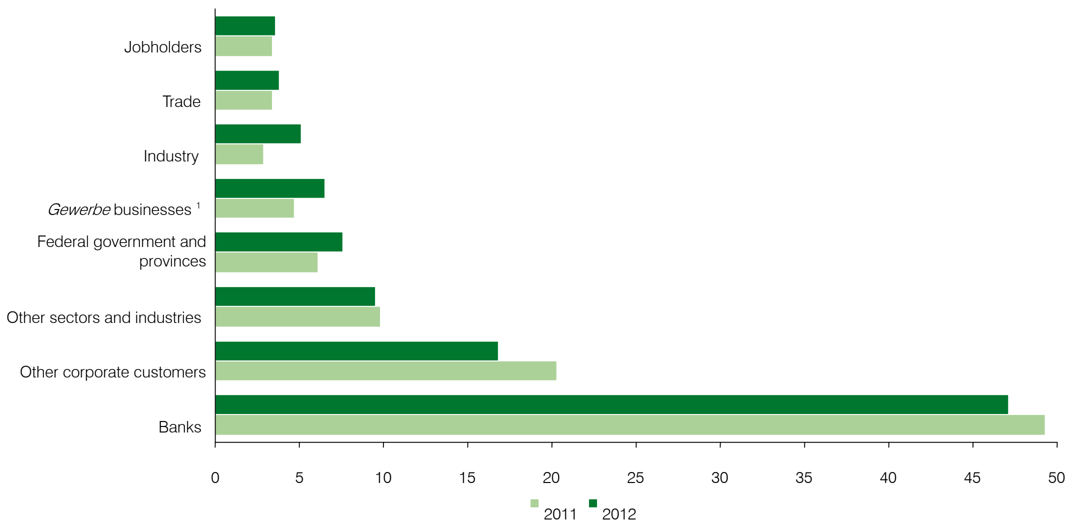
(%)



Sector and industry concentrations were monitored with the help of periodic sector and industry analyses. The following chart provides a breakdown of the bank's loan exposure by sector and industry group (in per cent):

Loan Exposure by Sector and Industry Group

(%)



[1] Within the meaning of Austria's *Gewerbeordnung* (commercial code). Given the specific nature of some of the terms used in this breakdown, the reader is advised to refer to the German original if greater precision is desired

RLB NÖ-Wien brings country risks into assessments of the credit risk associated with individual customers. Country risk at the overall bank level is managed and limited by a system of country limits based on internal country ratings. As part of the cooperation that takes place within the Austrian *Raiffeisen* organization, RLB NÖ-Wien makes use, among others, of the following resources at RBI when analyzing the country risks that are included in credit risk assessments:

- the Analysis (FI & Countries) Department;
- access to the country and bank rating pool database.

In order to mitigate risks, RLB NÖ-Wien has reached contractual agreements with its customers in the corporate customers and retail banking segments requiring them to provide collateral in the form of guarantees and other assets. When assessing collateral, the bank takes account of its type, quality and realizability and the time needed for realization by carrying out appropriate collateral write-downs.

The following table presents the structure of the collateral given to RLB NÖ-Wien (in thousands of euros):

Category of Collateral	2012	Per Cent	2011	Per Cent
Land register	4,339,178	44.3	3,873,712	39.3
Securities	346,956	3.5	294,016	3.0
Savings/current/deposit accounts	560,624	5.7	524,588	5.3
Insurance	185,063	1.9	187,397	1.9
Other rights and claims	779,454	7.9	716,765	7.3
Guarantees	3,594,695	36.7	4,249,056	43.2
Total	**9,805,970**	**100.0**	**9,845,534**	**100.0**

RLB NÖ-Wien does not directly purchase any collateral provided by customers. If collateral cannot immediately be realized, the bank has subsidiaries through which such transactions take place. Any proceeds from the realization of collateral are netted off against the corresponding loan accounts when the collateral is realized. Prior to realization, the corresponding parts of a loan are treated as having been secured.

MARKET RISK

Market risk is the risk of a loss of value caused by movements in market prices and parameters derived from them. RLB NÖ-Wien differentiates between the following sub-risks:

- interest rate risks
- currency risks
- other price risks
- volatility risks

RLB NÖ-Wien has a trading book of interest rate and currency transactions. Medium-term to long-term transactions are classified as part of the banking book. Market risks arising from customer operations are transferred to Treasury—where they are centrally managed—using the *transfer price method*.

Market risk in the trading and banking books is measured using the customary value at risk approach (VaR: the potential loss with a given probability over a specified holding period) as well as a number of gauges of sensitivity. VaR in the trading book is calculated daily employing a historical simulation methodology with a one-sided confidence interval of 99 per cent and a holding period of one day. To this end, RLB NÖ-Wien has implemented a valuation system that is independent of the trading systems (SAS Risk Management for Banking).

In addition, the banking book undergoes gap analysis, and basis point values (BPVs) are calculated for each currency. A series of stress tests are used to look at the effects of extreme market movements that cannot be covered by VaR methodologies.

RLB NÖ-Wien has an extensive system of lines and limits for all trading and banking book portfolios. It is made up of the Treasury Limits Framework and the Products, Services, Limits and Markets Catalogue.

The Market Risk Management Department values market positions, checks adherence to limits and analyzes and reports on the trading books on a daily basis. Similarly, market risk limits in the banking book are also monitored and analyzed on a daily basis.

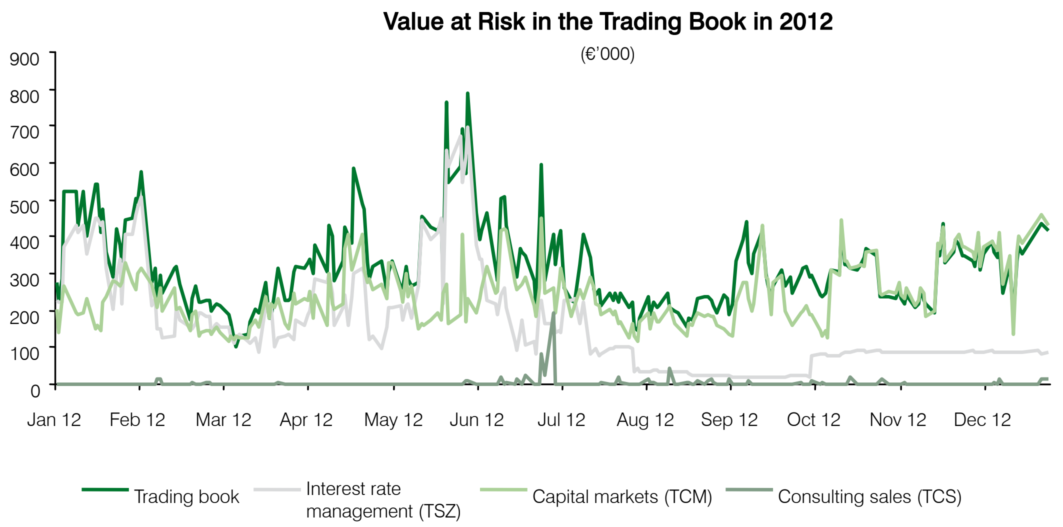
Using these regulatory mechanisms, the market risks associated with each type of transaction and each portfolio are limited by way of the following limits:

- VaR limits
- sensitivity limits
- stop-loss limits

The Treasury Limits Framework is updated annually by the Managing Board on the basis of recommendations by RMG, which is a Head Office department. Each day, the MRM Department checks that the limits framework is being adhered to.

MARKET RISK IN THE TRADING BOOK

The Managing Board of RLB NÖ-Wien and those responsible for portfolios receive daily value at risk (VaR) reports containing information about current limit utilization in the trading book as a whole and in the individual sub-portfolios within the trading book.



The chart shows risk in the trading book and in the interest rate management, capital markets and consulting sales sub-portfolios on a daily basis in terms of 99 per cent one-day value at risk. To take an example, a value at risk of €200,000 means that, on the particular day of trading, the bank would, with a probability of 99 per cent, not have been able to lose more than €200,000 on trading operations. This figure says nothing about the amount of the bank's actual loss or gain on the day in question. In addition, daily worst-case analyses are also carried out, providing information about the amount of losses that would be suffered in the event of the market movement most unfavourable for the current position as experienced in the past two years.

VaR in the trading book is primarily driven by VaR in the Treasury Interest Rate Trading and Capital Markets (currency, securities and equities trading) departments. Since it concentrates on trading as an intermediary, the Securities and Currency Sales Department does not contribute to risk.

There were a number of peaks in value at risk in the trading book between January and July. They were attributable to specific market events, and the bank responded with risk-reducing measures. The peak in value at risk at the beginning of January was due to disturbances in the markets caused by the euro crisis. The credit ratings of seven euro members and Austria were cut in that period. After a period of recovery lasting for two months, Italian and Spanish interest rates rose again in April. Concern about Spain continued to increase between the end of May and the beginning of June. Cyprus seemed likely to have to apply for a euro bailout, and Spanish and Greek banks needed billions of euros of help. The credit ratings of several German banks were cut. The eurozone slid into a recession. Twenty-eight Spanish banks were downgraded at the end of June. Cyprus applied for a euro bailout. As discussed earlier by the ECB, it cut its main interest rate to a record low of 0.75 per cent at the beginning of July.

The Treasury Interest Rate Management portfolio was closed on 25 July 2012 when the stop-loss limit was reached.

The reliability of the VAR approach, which is based on historical data, is verified by daily backtesting and supplemented and continuously improved by weekly stress tests.

The table below presents our bank's VaR (99 %, 1-day) by product group:

€'000	VaR at 31/12/2012	VaR at 31/12/2011
Trading book	406	269
Interest rate trading	82	234
Currency Trading	79	237
Securities trading	412	36
Equities trading	57	104

The VaR figures that were obtained forecast maximum losses under normal market conditions but do not provide any information about the effects of exceptional, extreme market movements. These phenomena are allowed for with the help of stress testing. Using this method, one can simulate big fluctuations in market parameters and crisis situations and apply the results to positions. The scenarios used reflect the assumptions made by *OeNB*, the rating agencies and RLB NÖ-Wien. They include:

- interest rate movements (reversals, shifts and combinations of reversals and shifts)
- movements in prices and rates (equities, foreign exchange rates)
- changes in credit spreads
- interest rate and price volatilities

The table below presents the bank's VaR (99%, 1-day) for market risk in the trading book:

€'000	VaR at 31/12/2012	VaR at 31/12/2011
Interest rate risk	105	223
Currency risk	439	43
Price risk	199	114
Volatility risk	23	136

MARKET RISK IN THE BANKING BOOK

Interest rate risk is managed centrally by the Treasury Interest Rate Management Department within Treasury, which is a Head Office department. It is where all our interest rate positions are systematically aggregated and managed. Interest rate risk is managed using gap analysis. The MRM Department carries out VaR and scenario analyses on the basis of this gap analysis. The scenarios used are based on the recommendations of the *Finanzmarktaufsicht* (Austrian Financial Market Authority) and *OeNB* as well as the Basel Committee on Banking Supervision. The Asset Liability Committee meets once a month. Market risks in the banking book are reported during its meetings and it decides on the bank's interest rates projection and interest rates policy. The following interest rate gaps mirror the structure of the bank's interest rate dependent operations and, therefore, the Asset Liability Committee's interest rates projection. Positive numbers mean that RLB NÖ-Wien received fixed rates, whereas negative numbers mean that it paid them.

RLB NÖ-Wien's interest rate gaps at 31 December 2012 (in thousands of euros):

Interest Rate Gap	6 –12 Months	1 – 2 Years	2 – 5 Years	> 5 Years
€	(1,628,795)	(1,692,115)	196,098	336,038
US$	(194,178)	(34)	4,756	143
¥	3,869	0	0	0
SFr	61,074	(495,654)	11,185	(61)
Other	941	(212)	0	0

RLB NÖ-Wien's interest rate gaps at 31 December 2011 (in thousands of euros):

Interest Rate Gap	6 –12 Months	1 – 2 Years	2 – 5 Years	> 5 Years
€	(2,235,475)	(1,413,790)	(71,668)	431,832
US$	(69,933)	(27,134)	227	2,994
¥	4,758	(20)	(60)	0
SFr	(296,064)	640	1,561	8,956
Other	(2,346)	0	0	0

Risk is managed in line with the bank's interest rates projection. Banking book performance and risk analyses take place on a *total return* basis. In other words, they also look at changes in the present value of RLB NÖ-Wien's banking book alongside the profit from maturity transformation (*Strukturbeitrag*), ensuring the sustained flexibility and profitability of its maturity transformation activities. To capture present value risk, gaps are recognized and measured like fixed-interest bonds or fixed-rate funding: positive values are treated like bonds, and negative values are treated like funding. Present value risk is calculated using a value at risk model to gauge the possible effects of a change in interest rates on the enterprise's profit or loss. Non-linear products like interest rate options are also taken into account.

At the beginning of 2012, the banking book management scenario was changed from 180/95 per cent to 250/99 per cent. The comparative figures for the year 2011 in the tables below were updated accordingly on a 250/99 per cent basis.

31/12/2012	Holding Period	Confidence Interval: 99%	
Portfolio		Banking Book	Trading Book
RLB NÖ-Wien	250 days	36,416	1,657

31/12/2011	Holding Period	Confidence Interval: 99%	
Portfolio		Banking Book	Trading Book
RLB NÖ-Wien	250 days	34,869	4,253

The table below presents the bank's VaR (99%, 250-day) for market risk in the banking book:

€'000	VaR at 31/12/2012	VaR at 31/12/2011
Interest rate risk	36,416	34,869
Currency risk	1,501	597
Price risk	5,505	87
Volatility risk	10,917	13,383

The change in present value in RLB NÖ-Wien's banking book at 31 December 2012 given a parallel, one-basis-point rise in interest rates: a positive number means that a rise in interest rates would have caused an increase in present value; a negative number shows the loss in value that would have been caused by a one-basis-point rise in interest rates (in thousands of euros); this change in present value corresponds to the basis point value:

Interest Rate Gap	> 6 –12 Months	1 – 2 Years	2 – 5 Years	> 5 Years
€	166.39	341.93	(138.17)	(95.85)
US$	19.92	0.01	(1.53)	(0.10)
¥	(0.39)	0	0	0
SFr	(6.24)	100.68	(5.33)	(2.53)
Other	0.13	(0.04)	0	0

The change in present value in RLB NÖ-Wien's banking book at 31 December 2011 given a parallel, one-basis-point rise in interest rates (in thousands of euros):

Interest Rate Gap	> 6 –12 Months	1 – 2 Years	2 – 5 Years	> 5 Years
€	212.92	276.78	25.08	(77.83)
US$	8.49	6.82	(0.11)	(2.91)
¥	(44.44)	0.39	2.33	0
SFr	34.05	(0.15)	(0.72)	(0.61)
Other	0.22	0.02	0	0.1

Regulatory standards require the monthly simulation of the effects of interest rate shocks on the economic capital requirements for the banking book and trading book. The stress test used is a sudden and unexpected parallel shift in interest rates of plus 200 basis points

Derivative positions are a major source of market risk. The risk content of the concluded derivative contracts is analyzed daily and the results are also included in the daily reports to the Managing Board. Note (28) *Derivative financial instruments* provides a detailed overview of the structure of these transactions.

CURRENCY RISK

RLB NÖ-Wien's currency risks are managed centrally by the Treasury Interest Rate Management and Capital Markets departments within Treasury, which is a Head Office department. The resulting currency risks are limited by a system of limits (VaR limit, sensitivity limits and a stop-loss limit) detailed in the Treasury Limits Framework. The volume of reportable open currency positions is also monitored. As a result, all foreign currency positions are continually monitored, controlled and managed.

LIQUIDITY RISK

Liquidity risk is the risk that the bank may not be able to meet its current and/or future financial obligations in full or in time and that, if the market is not sufficiently liquid, transactions may not be possible or may only be possible on less favourable terms.

Liquidity risk comprises the following sub-risks:

- insolvency risk (liquidity risk in the broad sense of the term);
- liquidity maturity transformation risk;
- the risk of regulatory sanctions/penalties as a result of failure to meet minimum requirements (e.g. minimum reserves).

Insolvency risk (liquidity risk in the narrow sense of the term) includes maturity risk (the risk of an unplanned lengthening of the period for which money lent is tied up) and withdrawal risk (the risk of premature withdrawals of deposits, unexpected drawdowns on promised lines of credit). Liquidity maturity transformation risk includes market liquidity risk (balance sheet assets cannot be sold or can only be sold on poorer terms) and funding risk (follow-up funding is impossible or is only possible on poorer terms).

Liquidity cost risks were captured on a scenario analysis basis within the scope of the risk-bearing capacity analysis process.

Being solvent at all times is a central focus at RLB NÖ-Wien. To achieve this, RLB NÖ-Wien, *Raiffeisen-Holding NÖ-Wien* and the *Raiffeisen Banks* in Lower Austria have put an appropriate joint limits system in place. The Liquidity Management Committee (LIMA Committee) acts as the central steering committee for *RBG NÖ-Wien*. RLB NÖ-Wien has assumed responsibility for liquidity management for *RBG NÖ-Wien* (*Raiffeisen-Holding NÖ-Wien*, RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria) and prepares regular liquidity profiles. Liquidity risk is measured on the basis of the aggregated data for *RBG NÖ-Wien* and the appropriate portions are applied in the appropriate amounts within the scope of risk-bearing capacity analysis processes at the *Raiffeisen-Holding Gruppe NÖ-Wien Group*, *Raiffeisen-Holding NÖ-Wien* and RLB NÖ-Wien. A legally compliant liquidity management agreement is in place within *RBG NÖ-Wien* together with a liquidity risk model based upon it. Risk is calculated in accordance with requirements in the guidance issued by the EBA (European Banking Authority), formerly the CEBS (Committee of European Banking Supervisors), and Austria's liquidity risk management directive (*Liquiditätsrisikomanagement-Verordnung*).

In view of the liquidity requirements associated with the Basel III regime, RLB NÖ-Wien decided to increase its issuances, starting in 2012, within the scope of its medium-term issuing strategy. Supplementing its senior unsecured segment, RLB NÖ-Wien also successfully placed €500 million worth of covered bonds in the middle of the year.

RBG NÖ-Wien's liquidity position is observed under various scenarios:

- normal case;
- crisis of reputation;
- systemic crisis
- combined crisis.

All the scenarios assume that no new business will be done in the present situation. However, the scenarios that are applied differ in their effects on the current liquidity projection (including both on-balance sheet and off-balance sheet positions) in each of the assumed stress situations.

When looking at risks, the existing liquidity gaps (surplus inflows and outflows of funds) in each of the defined maturity bands are compared with the liquidity buffer available at the time—comprising a pool of highly liquid assets (fungible securities, credit claims, etc.)—in the light of the defined scenarios.

In general, there is a strong focus on safeguarding liquidity within a defined survival period. The survival period must be ensured by RLB NÖ-Wien's available liquidity buffer and will depend on the existing limits system. The survival period has been set at three months.

The measuring methodology model is regularly revised and adapted as circumstances change. Moreover, an extensive catalogue of liquidity early warning indicators is implemented on a daily basis.

RLB NÖ-Wien has a detailed limits system in place to manage liquidity risk. In line with EBA requirements, it distinguishes between three liquidity indicators:

- operational liquidity maturity transformation;
- structural liquidity maturity transformation;
- gap over assets.

'Operational liquidity maturity transformation' (O-LFT) describes operational liquidity from one to 18 months. It is the quotient of assets to liabilities in the accumulated maturity bands within this period. When calculating O-LFT, off-balance sheet items and the liquidity buffer are also taken into account on the assets side of the equation. This indicator shows whether a bank will be able to meet its short-term payment obligations without new business (funding rollovers).

The second model, **'structural liquidity maturity transformation' (S-LFT)**, presents the long-term liquidity position of all participants in *RBG NÖ-Wien* for maturities from 18 months. It is the quotient of assets to liabilities for maturity bands from 18 months to more than 15 years presented on a band-by-band basis and in an aggregated form. When calculating the S-LFT indicator, off-balance sheet items and the liquidity buffer are also taken into account on the assets side of the equation. This indicator presents the matched maturity funding of long-term assets.

The third indicator used to monitor liquidity risk is the **'GoA quotient'** or **'gap over assets'**. Gap over assets is the quotient of net positions in each maturity band to balance sheet assets. It exposes any excessive funding risk in a specific maturity band.

Over and above the system of indicators described above, GBR calculates and reports RLB NÖ-Wien's short-term funding limit on a daily basis, comparing the current daily need to raise funds in the interbank market with the available fungible securities.

Furthermore, account is also taken of the stronger focus on RLB NÖ-Wien's operational liquidity by way of the weekly liquidity reports to *OeNB*. Expected incoming payments are compared with expected outgoing payments and with the available liquidity buffer (dynamic approach).

In addition, an appropriate emergency plan has been put in place to deal with any crises. When necessary, it will be implemented by the LIMA Committee. Liquidity is managed centrally by RLB NÖ-Wien's Treasury Department, which is a Head Office department.

To allow for the importance of liquidity risk, a separate Liquidity Committee was set up at RLB NÖ-Wien in 2011. It meets once a month. Its remits encompass the following:

- funding strategy;
- liquidity reporting;
- liquidity cost;
- liquidity profits;
- making recommendations to the Managing Board;
- cooperation with the LIMA Committee.

The tables below present RLB NÖ-Wien's structural liquidity:

€'000 — 31/12/2012

Maturity Band	Gap (Absolute)	GoA	GoA Limit	Accumulated from Behind	S-LFT	S-LFT Limit
18 months	1,042,459.43	3.56%	(10%)	(2,002,592.71)		
2 years	(927,818.88)	(3.17%)	(10%)	(3,045,052.14)	113.06%	> 80%
3 years	547,030.72	1.87%	(10%)	(2,117,233.26)	116.91%	> 70%
5 years	(306,297.77)	(1.05%)	(10%)	(2,664,263.98)		
7 years	(1,059,407.89)	(3.62%)	(10%)	(2,357,966.22)	130.18%	> 60%
10 years	(1,878,592.38)			(1,298,558.32)		
15 years	201,799.58			580,034.05		
20 years	134,020.43			378,234.47		
30 years	150,709.76			244,214.04		
> 30 years	93,504.28			93,504.28	128.73%	> 50%

€'000 — 31/12/2011

Maturity Band	Gap (Absolute)	GoA	GoA Limit	Accumulated from Behind	S-LFT	Limit S-LFT
18 months	371,881.03	1.27%	(10%)	88,959.56		
2 years	330,703.20	1.13%	(10%)	(282,921.47)	99.38%	> 80%
3 years	380,245.47	1.30%	(10%)	(613,624.66)	105.12%	> 70%
5 years	(351,721.65)	(1.20%)	(10%)	(993,870.14)		
7 years	(723,450.50)	(2.46%)	(10%)	(642,148.49)	110.50%	> 60%
10 years	(1,407,507.29)		(10%)	81,302.02		
15 years	704,652.45			1,488,809.31		
20 years	271,929.51			784,156.86		
30 years	275,413.94			512,227.35		
> 30 years	236,813.42			236,813.42	98.27%	> 50%

The tables below present details of the payment obligations arising from the derivative financial products whose netted undiscounted payment flows led to outflows of funds (net balances of outgoing and incoming payments). They are broken down by remaining duration of the contractual payment flows:

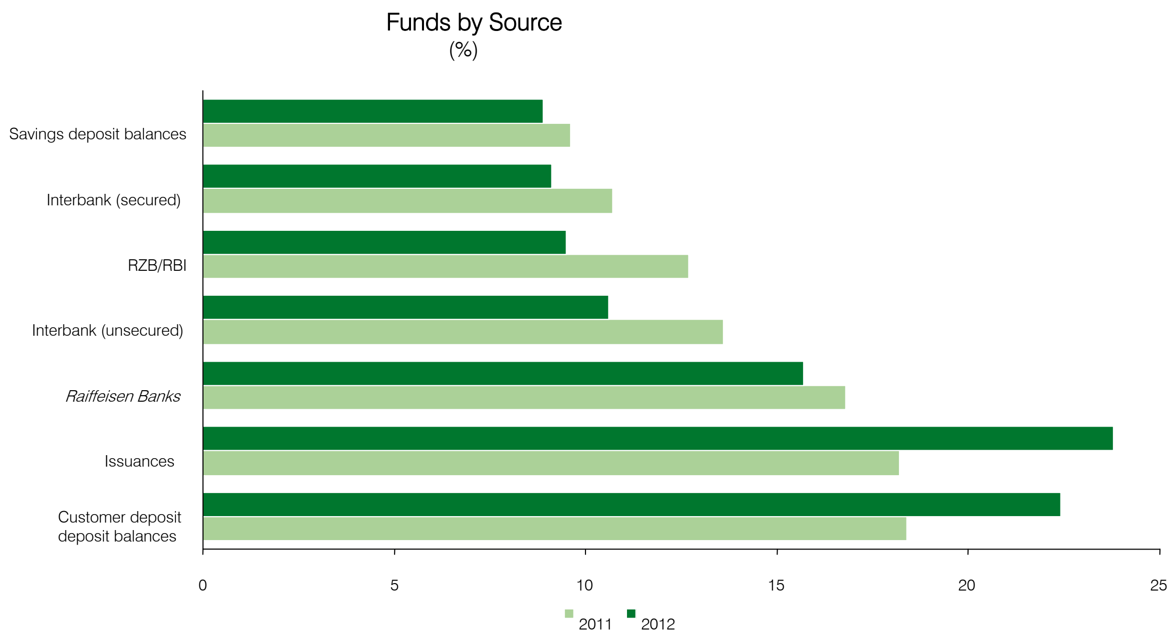
31/12/2012

€'000	Carrying Amount	Contractual Cash Flows	< 3 Months	3 – 12 Months	1 – 5 Year	> 5 Years
Derivative liabilities	**1,608,948**	**3,062,267**	**132,855**	**445,848**	**1,323,174**	**1,160,390**
Derivates in the trading book	256,244	476,410	26,558	91,420	201,793	156,640
Derivates designated in hedge relationships	338,144	681,204	24,513	76,203	224,386	356,101
Other derivatives	1,014,560	1,904,653	81,784	278,225	896,995	647,649

31/12/2011

€'000	Carrying Amount	Contractual Cash Flows	< 3 Months	3 – 12 Months	1 – 5 Year	> 5 Years
Derivative liabilities	**1,843,126**	**3,344,757**	**233,326**	**429,212**	**1,541,295**	**1,140,924**
Derivates in the trading book	301,637	605,778	56,025	81,300	260,395	208,057
Derivates designated in hedge relationships	254,719	510,025	17,715	47,028	180,809	264,474
Other derivatives	1,286,769	2,228,954	159,586	300,884	1,100,091	668,393

The chart below provides a breakdown of RLB NÖ-Wien's sources of funds in 2012 compared with 2011:



Note (32) contains a supplementary breakdown of remaining terms to maturity at RLB NÖ-Wien that provides an overview of the bank's liquidity structure.

EQUITY INVESTMENT RISK

Because of its focus on operating as a so-called *universal* bank, RLB NÖ-Wien holds equity investments within the Austrian *Raiffeisen* organization, all of which are strategic, as well as other equity investments that support its banking activities.

Equity investment risk can affect RLB NÖ-Wien by way of:

- lost dividends;
- write-downs of carrying amounts;
- realized losses, transferred losses;
- declines in hidden reserves.

The management and control of equity investments and the management of equity investment risk are carried out by *Raiffeisen-Holding NÖ-Wien* under a function allocation agreement (*Geschäftsbesorgungsvertrag*). The equity investment risk management process begins with a due diligence audit as soon as a new investment is acquired. As a rule, it is supported by external experts (management consultants, auditors, lawyers). In addition, in the case of projects of a significant size and poorly rated equity investments, the Risk Management Department at *Raiffeisen Holding NÖ-Wien* carries out a risk assessment of the asset being acquired based on the opinions of front-office departments.

RLB NÖ-Wien exercises a significant influence over the business operations of the entities in which equity investments are held by appointing officers of RLB NÖ-Wien to serve in the managements and as members of the supervisory and advisory boards of such entities.

The analysis and auditing of figures in financial statements and budgets and the assessment of strategic positions using SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses are among the key means and measures used in the course of the bank's periodic equity investment and risk controlling activities.

The following table presents the carrying amounts of RLB NÖ-Wien's equity investments and their ratings:

€'000	Carrying Amount 31/12/2012	Per Cent	Rating	Carrying Amount 31/12/2011	Per Cent	Rating
Investments in other banks	2,628,644	98.0%	1.5	2,525,926	97.8%	1.5
Investments in banking-related fields	54,670	2.0%	2.0	57,992	2.2%	2.0
Total equity investments	**2,683,314**	**100.0%**	**1.5**	**2,583,918**	**100.0%**	**1.5**

The investments in other banks had the same risk rating of 1.5 as in 2010. Developments in the financial markets in the wake of the euro debt crisis from the second half of 2011 and the increase in country risks manifested by a significant deterioration in the general environment and market conditions for the banking industry, for instance in Hungary, will continue to be central issues for front-office and back-office divisions at the banks in which the Group holds equity investments.

There were no significant changes in RLB NÖ-Wien's equity investments in banking-related fields. As a result, the overall rating of RLB NÖ-Wien's equity investments was unchanged.

Once each quarter, the risk potential and risk covering assets associated with entities in which equity investments are held as estimated by experts (extreme case and liquidation case) are brought into the risk-bearing capacity analysis process carried out periodically at the overall bank level.

OPERATIONAL RISK

RLB NÖ-Wien defines operational risk as the risk of losses resulting from:

- failures of systems;
- failures of processes;
- failures caused by staff;
- external risks.

This definition includes legal risks.

Operational risks at RLB NÖ-Wien are constantly monitored and action is taken to mitigate them. This process is supported by continuous staff training, emergency plans, backup systems and unremitting process quality enhancements. Rules of procedure are implemented and instructions issued to minimize these risks. All action taken to mitigate operational risks must also take cost-benefit considerations into account.

RLB NÖ-Wien has a loss database containing historical data from 1999 onward as well as all current cases from 2001. This has created the foundations for an operational risk management approach that goes beyond the *basic indicator approach*. The Managing Board receives quarterly reports on the course of recorded loss events. RLB NÖ-Wien is a participant in projects being carried out within the Austrian *Raiffeisen* organization to refine various risk management systems.

RLB NÖ-Wien carries out exhaustive risk self-assessments at divisional and departmental level within the scope of moderated workshops in order to identify potentially serious but unlikely risks. Because of learning effects, the conscious analysis of risk losses can also reduce risks.

During both the risk self-assessment process and the capturing of loss events, classifications take place using internationally accepted methodologies. Since 2010, the Group has been running an early-warning key risk indicators project in the fields of payment services and investment and private pension and saving products as an additional instrument for identifying operational risks alongside the self-assessment process and the loss database. This is a logical continuation of the measures being taken on the path towards the proactive management of operational risk.

Operational risk is measured using the *basic indicator approach* and is brought into the risk-bearing capacity analysis process.

To safeguard against operational risk within the meaning of *§ 22i BWG*, RLB NÖ-Wien has also undertaken to use the *basic indicator approach* within the meaning of *§ 22j BWG* to calculate its minimum own funds requirement and to make the requisite disclosures to the regulators. The basic indicator approach does not impose any further obligations on the bank to quantify its operational risks.

OTHER RISKS, MACROECONOMIC RISKS

During risk-bearing capacity analysis, RLB NÖ-Wien allows for other risks, including risks arising from the macroeconomic environment (approximated by way of a loading of 10 per cent of the quantified risks with the exception of equity investment risks) in both extreme case and liquidation scenarios. This allowance for other risks does not include equity investment risks because possible other risks and the impact of macroeconomic factors are already brought into risk assessments during the quantification of equity investments as part of the expert assessment process.

CUSTOMER DEPOSIT GUARANTEE ASSOCIATION (KUNDENGARANTIEGEMEINSCHAFT) OF THE AUSTRIAN RAIFFEISEN ORGANIZATION

Supplementing internal measures to identify, measure and manage risk, RLB NÖ-Wien is a member of the *Raiffeisen* customer deposit guarantee association (*Kundengarantie-gemeinschaft*). This association of *Raiffeisen Banks*, *Regional Raiffeisen Banks (Raiffeisenlandesbanken)*, RZB and RBI guarantees on a mutual basis up to 100 per cent of all customer deposit balances as well as securities issued by those entities. The customer deposit guarantee association is a two-tiered organization. It functions at a regional level, with, for instance, *Raiffeisen Banks* in Lower Austria mutually guaranteeing customer deposit balances, and a second level of security is provided by the federal customer deposit guarantee association (*Bundeskunden-garantiegemeinschaft*), which comes into play when any regional guarantee system proves insufficient. The customer deposit guarantee association of the *Raiffeisen Banks*, *Regional Raiffeisen Banks*, RZB and RBI thus provides a double safety net to secure customer deposits.

THE SOLIDARITY ASSOCIATION (SOLIDARITÄTSVEREIN) OF RAIFFEISENBANKENGRUPPE NIEDERÖSTERREICH-WIEN

RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria have jointly set up this solidarity association to ensure that members in financial difficulties can be given suitable help. The solidarity association thus provides added security alongside the Austrian and Lower Austrian *Raiffeisen* deposit guarantee system described below.

DEPOSIT GUARANTEE FACILITIES OF THE AUSTRIAN RAIFFEISEN ORGANIZATION

RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria are jointly members of *Österreichische Raiffeisen-Einlagensicherung eGen* by way of *Raiffeisen-Einlagensicherung Niederösterreich-Wien reg. Gen. mbH*. This deposit guarantee cooperative is the 'liability facility' (*Haftungseinrichtung*) for the whole of Austria's RBG for the purposes of *§§ 93, 93a* and *93b BWG*. The early-warning system used to safeguard deposits within the Austrian *Raiffeisen* organization provides a high level of security for savers and investors that goes far beyond the legislative requirements. This early-warning system is based on extensive income and risk performance reporting by all the *Regional Raiffeisen Banks* (including all the *Raiffeisen Banks* in the respective province) to *Österreichische Raiffeisen-Einlagensicherung eGen* combined with appropriate continuous analysis and monitoring processes.

THE AUSTRIAN RAIFFEISEN BANKING GROUP

Austria's RBG is the country's largest private banking group. It consists of some 520 locally active *Raiffeisen Banks*, eight regionally active *Regional Raiffeisen Banks* and RZB and RBI in Vienna, making up the country's densest banking network with a total of 1,679 banking outlets. Roughly 1.7 million Austrians are members—and therefore co-owners—of a *Raiffeisen Bank*.

STATUTORY DEPOSIT GUARANTEE SCHEME

Since 1 January 2011, the guaranteed amount of personal deposits, the deposits of small and medium-sized enterprises and the deposits of non-natural persons under the statutory deposit guarantee scheme has uniformly been limited to €100 thousand. There is also an exhaustive list of exclusions from this deposit guarantee scheme that includes the deposits of large corporations.

(30) DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present the derivative financial products outstanding on the balance sheet date, broken down by term to maturity.

Derivative financial products not held for trading and recorded on the Balance Sheet in the line items *Other assets* or *Other liabilities*:

				Nominal Amounts	Fair Values	
		Remaining Term to Maturity				
2012 €'000	Up to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total	Positive	Negative
Total	**10,808,707**	**18,558,829**	**13,695,888**	**43,063,424**	**1,794,339**	**(1,882,291)**
a) Interest rate contracts	**9,075,211**	**17,700,145**	**13,044,543**	**39,819,899**	**1,617,590**	**(1,714,628)**
(exchange-traded contracts)						
Interest rate futures	34,500	0	0	34,500	0	(265)
(OTC products)						
Interest rate swaps	8,514,794	16,617,781	11,606,755	36,739,330	1,590,823	(1,680,966)
FRAs – calls	414,182	0	0	414,182	25	0
Interest rate options – calls	84,369	482,998	661,484	1,228,851	26,742	0
Interest rate options – puts	27,366	599,366	776,304	1,403,036	0	(33,397)
b) Exchange rate contracts	**1,668,395**	**650,907**	**204,760**	**2,524,062**	**172,982**	**(167,039)**
(OTC products)						
Currency forwards	54,216	0	0	54,216	414	(445)
Cross currency and cross currency interest rate swaps	1,601,941	626,883	89,960	2,318,784	33,997	(30,008)
Currency options – calls	2,369	5,012	0	7,381	689	0
Currency options – puts	2,369	5,012	0	7,381	0	(689)
Other foreign currency contracts and gold contracts	7,500	14,000	114,800	136,300	137,882	(135,897)
c) Securities contracts	**8,801**	**74,933**	**446,585**	**530,319**	**1,971**	**(77)**
(OTC products)						
Equity and index options – calls	4,400	0	223,210	227,610	23	0
Equity and index options – puts	4,401	0	223,375	227,776	0	(23)
Other securities contracts	0	74,933	0	74,933	1,948	(54)
d) Credit derivatives	**56,300**	**132,844**	**0**	**189,144**	**1,796**	**(547)**
(OTC products)						
Credit default swaps – secured party	31,300	28,000	0	59,300	4	(547)
Credit default swaps – securing party	25,000	104,844	0	129,844	1,792	0

	Nominal Amounts				Fair Values	
	Remaining Term to Maturity					
2011 €'000	Up to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total	Positive	Negative
Total	**19,788,612**	**21,653,335**	**19,409,855**	**60,851,802**	**2,155,091**	**(2,330,070)**
a) Interest rate contracts	**16,027,104**	**21,005,373**	**18,707,603**	**55,740,080**	**1,827,891**	**(1,998,318)**
(exchange-traded contracts)						
Interest rate futures	25,000	0	0	25,000	0	(114)
(OTC products)						
Interest rate swaps	12,691,438	19,951,373	17,115,988	49,758,799	1,796,883	(1,950,612)
FRAs – calls	520,000	0	0	520,000	29	(146)
FRAs – puts	435,000	5,000	0	440,000	91	(26)
Interest rate options – calls	678,980	450,501	734,576	1,864,057	30,852	0
Interest rate options – puts	1,645,186	598,499	857,039	3,100,724	0	(47,358)
Bond options – calls	11,500	0	0	11,500	36	0
Bond options – puts	20,000	0	0	20,000	0	(62)
b) Exchange rate contracts	**3,562,187**	**380,008**	**244,415**	**4,186,610**	**322,386**	**(327,731)**
(OTC products)						
Currency forwards	123,052	0	0	123,052	1,651	(1,747)
Cross currency and cross currency interest rate swaps	3,373,273	210,706	89,615	3,673,594	69,757	(89,024)
Currency options – calls	2,931	7,351	0	10,282	1,471	0
Currency options – puts	2,931	7,351	0	10,282	0	(1,471)
Other foreign currency contracts and gold contracts	60,000	154,600	154,800	369,400	249,507	(235,489)
c) Securities contracts	**0**	**77,690**	**457,837**	**535,527**	**1,319**	**(2,364)**
(OTC products)						
Equity and index options – calls	0	4,400	223,211	227,611	22	0
Equity and index options – puts	0	9,607	223,376	232,983	0	(600)
Other securities contracts	0	63,683	11,250	74,933	1,297	(1,764)
d) Credit derivatives	**199,321**	**190,264**	**0**	**389,585**	**3,495**	**(1,657)**
(OTC products)						
Credit default swaps – secured party	5,000	59,300	0	64,300	1,661	(874)
Credit default swaps – securing party	194,321	130,964	0	325,285	1,834	(783)

Derivative financial products held for trading and recognized on the Balance Sheet in the line items *Trading assets* or *Trading liabilities*:

	Nominal Amounts				Fair Values	
	Remaining Term to Maturity					
2012 €'000	Up to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total	Positive	Negative
Total	**4,179,974**	**2,549,036**	**2,778,610**	**9,507,620**	**303,472**	**(297,882)**
a) Interest rate contracts	**2,349,754**	**2,311,412**	**2,778,610**	**7,439,776**	**249,065**	**(256,989)**
(exchange-traded contracts)						
Interest rate futures	6,500	0	0	6,500	0	(56)
Interest rate options (futures options) – calls	70,000	0	0	70,000	81	0
Interest rate options (futures options) – puts	60,000	0	0	60,000	0	(32)
(OTC products)						
Interest rate swaps	2,213,254	2,225,412	2,716,147	7,154,813	244,649	(252,565)
Interest rate options – calls	0	43,000	31,232	74,232	4,335	0
Interest rate options – puts	0	43,000	31,231	74,231	0	(4,336)
b) Exchange rate contracts	**1,828,350**	**237,624**	**0**	**2,065,974**	**54,344**	**(40,887)**
(OTC products)						
Currency options – calls	928,539	118,332	0	1,046,871	53,846	0
Currency options – puts	892,949	119,292	0	1,012,241	0	(40,370)
Other exchange rate contracts – calls	3,412	0	0	3,412	498	0
Other exchange rate contracts – puts	3,450	0	0	3,450	0	(517)
c) Securities contracts	**1,870**	**0**	**0**	**1,870**	**63**	**(6)**
(OTC products and exchange-traded contracts)						
Equity and index options – calls	1,550	0	0	1,550	63	0
Equity and index options – puts	320	0	0	320	0	(6)
d) Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**

2011 €'000	Up to 1 Year	Nominal Amounts Remaining Term to Maturity From 1 to 5 Years	From 5 Years and Over	Total	Fair Values Positive	Negative
Total	**5,407,718**	**6,230,507**	**5,433,600**	**17,071,825**	**434,588**	**(431,035)**
a) Interest rate contracts	**2,723,980**	**5,866,948**	**5,433,600**	**14,024,528**	**335,308**	**(358,933)**
(exchange-traded contracts)						
Interest rate futures	6,200	0	0	6,200	0	(20)
Interest rate options (futures options) – calls	21,000	0	0	21,000	10	0
Interest rate options (futures options) – puts	1,000	0	0	1,000	0	(9)
(OTC products)						
Interest rate swaps	2,665,780	5,820,948	5,361,664	13,848,392	334,677	(355,402)
Interest rate options – calls	0	3,000	35,968	38,968	621	0
Interest rate options – puts	30,000	43,000	35,968	108,968	0	(3,502)
b) Exchange rate contracts	**2,680,962**	**363,559**	**0**	**3,044,521**	**99,280**	**(72,009)**
(OTC products)						
Currency options – calls	1,412,159	187,417	0	1,599,576	98,558	0
Currency options – puts	1,259,008	176,142	0	1,435,150	0	(71,494)
Other exchange rate contracts – calls	4,592	0	0	4,592	722	0
Other exchange rate contracts – puts	5,203	0	0	5,203	0	(515)
c) Securities contracts	**2,776**	**0**	**0**	**2,776**	**0**	**(93)**
(exchange-traded contracts)						
Index futures	2,776	0	0	2,776	0	(93)
d) Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**

These nominal and fair values are derived from the (non-netted) totals of all calls and puts. Fair values are stated here at dirty prices (fair value inclusive of accrued interest). Credit default swaps were treated as derivates and, therefore, measured and recognized at fair value.

Derivative interest rate instruments and derivatives on securities were mainly acquired within the scope of proprietary trading. Exchange rate derivatives were acquired within the scope of both proprietary and customer business. Credit derivatives were only acquired within the scope of proprietary trading.

(31) FAIR VALUES OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. One distinguishes between different valuation 'levels': At **Level I,** available market prices are used (applies mainly to securities and derivatives traded on exchanges and in liquid markets). All other financial instruments are measured using valuation models. These are mainly present value and generally accepted option price models. At **Level II**, use is made of input data based directly or indirectly on observable market data. At **Level III**, valuation takes place using models that estimate fair value based on the bank's own internal assumptions or using external valuation sources.

2012 €'000	Level I	Level II	Level III
Assets			
Trading assets	152,974	365,356	0
Securities and equity investments designated as at fair value through profit and loss	1,948,111	80,868	35,951
Securities and equity investments classified as available for sale and measured at fair value	2,363,907	481,494	9,659
Other assets (positive fair values of derivative financial instruments)	0	1,793,211	0
Liabilities			
Liabilities evidenced by paper designated as at fair value through profit or loss	0	664,424	0
Trading liabilities	94	297,789	0
Other liabilities (negative fair values of derivative financial instruments)	265	1,882,048	0
Subordinated debt capital designated as at fair value through profit or loss	0	43,770	0

2011 €'000	Level I	Level II	Level III
Assets			
Trading assets	46,016	493,760	0
Securities and equity investments designated as at fair value through profit and loss	2,078,130	135,714	38,977
Securities and equity investments classified as available for sale and measured at fair value	1,735,733	348,855	0
Other assets (positive fair values of derivative financial instruments)	0	2,155,424	36
Liabilities			
Liabilities evidenced by paper designated as at fair value through profit or loss	0	842,015	0
Trading liabilities	122	430,914	0
Other liabilities (negative fair values of derivative financial instruments)	114	2,329,919	62
Subordinated debt capital designated as at fair value through profit or loss	0	40,889	0

The fair values of derivatives are stated here at dirty prices (fair value inclusive of accrued interest).

Reclassifications between Level I and Level II:

2012 €'000	From Level I to Level II	From Level II to Level I
Assets		
Trading assets	223	0
Securities and equity investments designated as at fair value through profit and loss	11,144	49,569
Securities and equity investments classified as available for sale and measured at fair value	0	8,329

2011 €'000	From Level I to Level II	From Level II to Level I
Assets		
Trading assets	1	12,802
Securities and equity investments designated as at fair value through profit and loss	12,097	621,452
Securities and equity investments classified as available for sale and measured at fair value	4,627	62,291

For each financial instrument, it was checked whether prices were listed in an active market (Level I). If a listed market price was not available for a financial instrument, observable market data like yield curves were used to calculate a fair value (Level II). If our assessment of the situation changed, reclassification took place.

Reconciliation
Financial instruments allocated to Level III:

2012 €'000	Trading Assets	Securities and Equity Investments	Other Assets	Other Liabilities
At 1 January	**0**	**38,919**	**36**	**(62)**
Reclassification to Level III	0	10,020	0	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	1,480	0	0
Reclassification from Level III	0	(4,671)	0	0
Sales	0	(188)	0	0
Performance	0	0	(36)	62
At 31 December	**0**	**45,560**	**0**	**0**
Revaluation gains and losses in the Consolidated Income Statement on financial instruments recognized at 31 December	0	1,480	0	0

2011 €'000	Trading Assets	Securities and Equity Investments	Other Assets	Other Liabilities
At 1 January	**0**	**7,622**	**155**	**(304)**
Reclassification to Level III	0	30,093	0	0
Purchases	0	1,234	0	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	(30)	0	0
Revaluation gains and losses (other operating profit/(loss))	0	0	(119)	242
Interest accruals	0	58	0	0
At 31 December	**0**	**38,977**	**36**	**(62)**
Revaluation gains and losses in the Consolidated Income Statement on financial instruments recognized at 31 December	0	(30)	(119)	242

FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE

Fixed-interest loans and advances to and deposits from customers and other banks were only measured to fair values different from their carrying amounts on the Balance Sheet if they had a remaining term to maturity of more than one year. Variable-rate loans and advances and deposits were only included if they had an interest rate adjustment period of more than one year. Only in such cases does discounting applying an interest rate in line with market rates have a material effect. The table below presents the fair values and carrying amounts of balance sheet items that are, as a rule, not measured at fair value. *Loans and advances to other banks* and *Loans and advances to customers* are reported net of impairment allowance balances.

2012 €'000	Fair Value	Carrying Amount	Difference
Assets			
Loans and advances to other banks	10,151,007	10,041,054	109,953
Loans and advances to customers	10,146,519	10,169,517	(22,998)
Securities classified as held to maturity	1,322,078	1,294,473	27,605
Liabilities			
Deposits from other banks	12,774,438	12,643,370	131,068
Deposits from customers	8,042,267	8,089,621	(47,354)
Liabilities evidenced by paper classified at amortized cost	5,205,391	5,264,492	(59,101)
Subordinated debt capital classified at amortized cost	617,115	663,836	(46,721)

2011 €'000	Fair Value	Carrying Amount	Difference
Assets			
Loans and advances to other banks	11,009,103	10,912,135	96,968
Loans and advances to customers	9,838,711	9,826,952	11,759
Securities classified as held to maturity	1,375,149	1,397,415	(22,266)
Liabilities			
Deposits from other banks	14,588,144	14,429,457	158,687
Deposits from customers	7,253,545	7,294,376	(40,831)
Liabilities evidenced by paper classified at amortized cost	3,266,369	3,354,763	(88,394)
Subordinated debt capital classified at amortized cost	637,787	663,536	(25,749)

If the fair values of equity instruments could not be determined reliably, they were measured at cost. If the volume or frequency of trades gave reason to doubt a price's validity, listed equity instruments were measured at cost. As for unlisted equity instruments, there were no observable market transactions in identical or similar equity instruments on the basis of which reliable fair values could be deduced. Estimation of a reliable fair value or its determination within a range of fluctuation weighted on the basis of specific occurrence probabilities by means of a discounted cash flow technique or similar method is not productive in that fair values can only be calculated on the basis of an entity's internal data, from which, however, no market relevance can be reliably deduced.

Additional Information

(32) BREAKDOWN OF REMAINING TERMS TO MATURITY

Breakdown of remaining terms to maturity at 31 December 2012:

€'000 2012	On Demand or of Unspecified Maturity	Up to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total
Loans and advances to other banks	732,708	4,856,470	1,111,108	2,963,322	378,466	10,042,074
Loans and advances to customers	309,093	1,954,056	1,425,086	3,530,355	3,246,672	10,465,262
Trading assets	1,294	75,892	57,205	199,073	187,936	521,400
Securities and equity investments	282,762	318,117	797,926	2,647,003	2,241,754	6,287,562
Deposits from other banks	3,316,691	4,141,150	1,398,457	2,696,695	1,090,377	12,643,370
Deposits from customers	4,586,283	657,769	808,441	1,340,699	696,429	8,089,621
Liabilities evidenced by paper	0	245,577	711,225	3,411,423	1,560,691	5,928,916
Trading liabilities	0	9,747	38,833	68,467	184,021	301,068
Subordinated debt capital	0	16,165	3,128	182,985	505,328	707,606

Breakdown of remaining terms to maturity at 31 December 2011:

€'000 2011	On Demand or of Unspecified Maturity	Up to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total
Loans and advances to other banks	848,659	5,505,250	1,297,099	2,771,859	492,381	10,915,248
Loans and advances to customers	284,550	2,049,217	1,131,268	3,523,261	3,105,399	10,093,695
Trading assets	5,068	36,672	85,756	137,564	301,078	566,138
Securities and equity investments	420,608	293,019	395,786	2,792,813	1,906,067	5,808,293
Deposits from other banks	3,470,084	6,864,905	1,148,949	1,944,538	1,000,981	14,429,457
Deposits from customers	3,822,905	326,609	2,339,870	271,428	533,564	7,294,376
Liabilities evidenced by paper	0	302,020	277,923	3,069,326	547,508	4,196,777
Trading liabilities	0	27,684	50,727	120,309	258,917	457,637
Subordinated debt capital	0	15,789	21,231	50,887	616,518	704,425

(33) RELATED PARTY DISCLOSURES

€'000	2012	2011
Loans and advances to other banks		
Parent	1,589,940	1,590,285
Entities accounted for using the equity method	5,132,827	5,557,650
Loans and advances to customers		
Entities related via the parent	296,649	305,907
Unconsolidated subsidiaries	36,091	28,131
Entities accounted for using the equity method	413,509	532,845
Entities accounted for using the equity method via the parent	214,424	143,463
Impairment allowance balance		
Unconsolidated subsidiaries	(1,989)	(4,857)
Trading assets		
Entities accounted for using the equity method	33,372	19,228
Entities accounted for using the equity method via the parent	221	2,176
Securities and equity investments		
Parent	277	277
Entities accounted for using the equity method	170,913	252,297
Entities accounted for using the equity method via the parent	24,280	23,114
Other assets		
Parent	186,900	142,482
Entities related via the parent	1,547	213
Entities accounted for using the equity method	104,810	81,277

€'000	2012	2011
Deposits from other banks		
Parent	19,831	1,595
Entities accounted for using the equity method	2,637,519	3,522,870
Deposits from customers		
Entities related via the parent	465,064	333,280
Unconsolidated subsidiaries	15,792	11,606
Entities accounted for using the equity method	79,200	61,813
Entities accounted for using the equity method via the parent	25,578	49,911
Liabilities evidenced by paper		
Unconsolidated subsidiaries	505	507
Entities accounted for using the equity method	0	2,803
Trading liabilities		
Entities accounted for using the equity method	306	367
Other liabilities		
Parent	16,760	16,429
Entities related via the parent	2	26
Entities accounted for using the equity method	73,033	67,422
Provisions		
Entities related via the parent	229	3
Subordinated debt capital		
Parent	2,960	11,892
Entities accounted for using the equity method	0	6,140
Entities accounted for using the equity method via the parent	0	207

€'000	2012	2011
Contingent liabilities		
Parent	7,099	5,293
Entities related via the parent	21,944	30,073
Unconsolidated subsidiaries	2,213	51
Entities accounted for using the equity method	393,624	399,585
Entities accounted for using the equity method via the parent	12,358	91,215

RLB NÖ-Wien's parent is *Raiffeisen-Holding NÖ-Wien*. Business relations between RLB NÖ-Wien and *Raiffeisen-Holding NÖ-Wien* primarily involved the funding of *Raiffeisen-Holding NÖ-Wien* and the use of derivative financial instruments.

Business relations with related parties were conducted on arm's length terms and conditions.

In conformity with IAS 24, receivables from and payables to members of the Managing Board and members of the Supervisory Board of RLB NÖ-Wien, management personnel, members of the managing and supervisory boards of *Raiffeisen-Holding NÖ-Wien* and members of their families were not disclosed because of the immaterial amounts involved. Those business relationships did not have any material effects on the Consolidated Financial Statements.

(34) REMUNERATION OF BOARD MEMBERS

Expenditure on the members of the Managing Board of RLB NÖ-Wien broke down as follows:

€'000	2012	2011
Expenditure on		
Short-term benefits	2,043	2,776
Post-employment benefits	377	(256)
Other long-term benefits	9	(6)

€88 thousand was paid to the members of the Supervisory Board during 2012 (2011: €63 thousand).

Remuneration paid to erstwhile Managing Board members (including erstwhile members of the managing board of the former *RLB reg. Gen.m.b.H.*) and their surviving dependents came to €1,070 thousand (2011: €1,053 thousand).

(35) DISCLOSURE OF LOANS AND ADVANCES TO MEMBERS OF THE MANAGING BOARD AND MEMBERS OF THE SUPERVISORY BOARD IN ACCORDANCE WITH § 266 Z. 5 UGB

On the balance sheet date, loans outstanding to the members of the Managing Board came to €1,850 thousand (year-end 2011: €1,920 thousand). Loans and advances to members of the Supervisory Board came to €140 thousand (year-end 2011: €167 thousand).

No guarantees were in place on behalf of this group of persons. Loans and advances to the members of the Supervisory Board also included loans and advances to employees appointed to the Supervisory Board by the Staff Council.

Durations and interest rates were those generally available from banks. During the financial year, €71 thousand was repaid by members of the Managing Board (2011: €49 thousand), and €15 thousand was repaid by members of the Supervisory Board (2011: €6 thousand).

(36) FOREIGN CURRENCY BALANCES

The following balances of assets and liabilities denominated in a foreign currency were recognized in the Consolidated Financial Statements:

€'000	2012	2011
Assets	2,142,798	2,689,112
Liabilities	1,341,616	2,275,744

(37) ASSETS AND LIABILITIES ABROAD

Assets and liabilities arising from transactions with counterparties outside Austria broke down as follows:

€'000	2012	2011
Assets	5,619,740	5,972,955
Liabilities	6,064,598	3,455,566

(38) SUBORDINATED ASSETS

Assets included the following subordinated assets:

€'000	2012	2011
Loans and advances to other banks	12,211	40,978
Loans and advances to customers	876	308
Trading assets	0	0
Securities and equity investments	309,916	371,983
Total	**323,003**	**413,269**

(39) SUBORDINATED BORROWINGS

SUBORDINATED DEBT CAPITAL

No subordinated debt capital within the meaning of *§ 23 Abs. 8 BWG* was raised during the 2012 financial year.

SUPPLEMENTARY CAPITAL

The following supplementary capital was raised during the 2012 financial year:

		Currency	Amount (€'000)	Interest Rate	Maturing on	Extraordinary Right of Termination
1	*Raiffeisen Ergänzungskapital-Schuldverschreibungen 2012-2022/5*	€	7,315	5%	25 January 2022	None
2	*Raiffeisen Stufenzins Ergänzungskapital-Schuldverschreibungen 2012-2020/15*	€	8,204	[1]	7 May 2020	None

[1] During the first coupon period (7 May 2012 – 6 May 2016), the coupon is 4.00 per cent *per annum*; during the second coupon period (7 May 2016 – 6 May 2017),the coupon is 5.00 per cent *per annum*; during the third coupon period (7 May 2017 to 6 May 2018), the coupon is 6.00 per cent *per annum*; during the fourth coupon period (7 May 2018 – 6 May 2019), the coupon is 7.00 per cent *per annum*; and during the fifth coupon period (7 May 2019 – 6 May 2020), the coupon is 8.00 per cent *per annum*. Interest is calculated using the Actual/Actual (ICMA) method.

This is subordinated debt capital within the meaning of *§ 23 Abs. 7 BWG*.

These notes are securities issued in a continuous manner.

(40) CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

The following off-balance sheet liabilities and commitments existed at year-end:

€'000	2012	2011
Contingent liabilities	**1,316,152**	**1,497,090**
Of which arising from other guarantees	1,229,809	1,399,827
Of which arising from letters of credit	86,231	97,151
Of which other contingent liabilities	112	112
Commitments	**5,979,664**	**5,866,495**
Of which arising from revocable loan promises	2,856,042	2,916,794
Of which arising from irrevocable loan promises	3,123,622	2,949,701
Up to 1 year	357,244	831,607
More than 1 year	2,766,378	2,118,094
Of which arising from 'non-genuine' or 'pseudo' repurchase agreements	0	0

RLB NÖ-Wien is a member of *Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien* (*Raiffeisen* customer deposit guarantee association in Lower Austria and Vienna). Under the provisions of the association's memorandum and articles (*Vereinssatzung*), the joint and several settlement of payables to customers (*Deposits from customers* as per line item 2 of *Equity and liabilities* on the Balance Sheet) and payables to other banks (as per line item 1 of *Equity and liabilities* on the Balance Sheet) and securities issued by any insolvent member of the association are guaranteed up to the limit of the sum of the individual capacities of the other members of the association.

The individual capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG.

Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien is, in turn, a member of *Raiffeisen-Kundengarantiegemeinschaft Österreich* (*Raiffeisen* customer deposit guarantee association in Austria), whose members are RZB, RBI and other *Raiffeisen-Landeskundengarantiegemeinschaften* (regional *Raiffeisen* customer deposit guarantee associations). The purpose of this association is the same as that of *Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien*, but with respect to RZB, RBI and the members of the regional *Raiffeisen* customer deposit guarantee associations that have joined it (see also note (29) *Risk Report*).

(41) REPURCHASE AGREEMENTS AND SECURITIES LENDING

The following repurchase and redelivery commitments existed at 31 December:

€'000	2012	2011
Genuine repurchase agreements as seller		
Deposits from other banks	1,203,885	538,614
Total	**1,203,885**	**538,614**

At the end of the financial year, the carrying amount of the securities sold under a sale and repurchase agreement came to €1,308,023 thousand (year-end 2011: €578,280 thousand). No securities were purchased under a sale and repurchase agreement.

Securities worth €66,805 thousand were borrowed (year-end 2011: €0 thousand) and securities worth €72,374 thousand were lent (year-end 2011: €11,952 thousand) within the scope of securities lending transactions.

(42) ASSETS PLEDGED AS COLLATERAL

The following assets recognized on the Balance Sheet were pledged as collateral for the liabilities listed below:

€'000	2012	2011
Securities lodged in connection with ECB tenders	1,585,396	988,931
Receivables assigned to *OeNB*	1,160,236	1,023,466
Receivables in the mortgage cover pool	1,002,114	0
Collateral for derivative contracts	840,822	946,156
Cover pool for issued covered partial debentures	766,653	769,441
Receivables assigned to *OeKB*	396,055	482,217
Bonds lodged with *OeKB* in connection with EIB loans	101,781	126,156
Receivables in the RZB cover pool	79,101	79,776
Receivables assigned to the EIB	75,597	80,374
Collateral for securities lending transactions	72,000	0
Receivables assigned to *KfW*	54,405	57,393
Collateral for securities transactions with *OeKB* (securities)	20,000	14,000
Cover pool for fiduciary savings deposit balances	15,875	13,352
Bonds lodged with *OeKB* as a clearing link for the *Deutsche Börse* (*Xetrahandel*)	10,015	9,825
Other receivables assigned	6,903	6,903
Collateral for securities transactions lodged with *OeKB* (cash deposit)	54	54
Government bond pledged in favour of *Raiffeisen Wohnbaubank AG*	0	6,393
Deposit for 'HOAM.AT' (Home Accounting Module Austria, formerly 'ARTIS') lodged with *OeNB*	0	5,280
Total	**6,187,006**	**4,598,044**

The following liabilities were collateralized by the assets recognized on the Balance Sheet:

€'000	2012	2011
Deposits from other banks	1,598,284	1,632,119
Deposits from customers	12,703	11,661
Liabilities evidenced by paper	1,166,329	359,699
Other liabilities	840,822	946,156
Total	**3,618,138**	**2,949,635**

(43) TRUST ACTIVITIES

Fiduciary balances on the balance sheet date that were not included on the Balance Sheet broke down as follows:

€'000	2012	2011
Loans and advances to customers	17,713	18,062
Fiduciary assets	**17,713**	**18,062**
Deposits from customers	17,713	18,062
Fiduciary liabilities	**17,713**	**18,062**

(44) DISCLOSURE OF BONDS AND OTHER FIXED-INTEREST SECURITIES AND OF BONDS ISSUED BY THE GROUP IN ACCORDANCE WITH § 64 BWG ABS. 1 Z. 7 BWG

Bonds and other fixed-interest securities and bonds issued by the Group maturing in the year following the balance sheet date broke down as follows:

€'000	2012	2011
a) Receivables arising from bonds and other fixed-interest securities	924,169	604,236
b) Payables arising from bonds issued by the Group	628,946	463,289

(45) DISCLOSURE OF SECURITIES ADMITTED FOR TRADING ON AN EXCHANGE IN ACCORDANCE WITH § 64 ABS. 1 Z. 10 BWG

		Listed		Unlisted
€'000	2012	2011	2012	2011
Bonds and other fixed-interest securities	4,280,799	4,030,322	0	0
Shares and other variable-yield securities	168,754	151,128	0	0

(46) DISCLOSURE OF FINANCIAL INVESTMENTS IN ACCORDANCE WITH § 64 ABS. 1 Z. 11 BWG

The securities included in the line items *Bonds and other fixed-interest securities* and *Shares and other variable-yield securities* that were admitted for trading on an exchange and were classified as investments broke down as follows:

€'000	2012	2011
a) Bonds and other fixed-interest securities	2,443,874	2,118,939
b) Shares and other variable-yield securities	157,020	137,275

Classification of each asset as a *Financial investment* or *Current financial asset* was decided by the responsible committees.

(47) DISCLOSURE OF (NOMINAL) HOLDINGS IN THE TRADING BOOK IN ACCORDANCE WITH *§ 22 BWG*

€'000	2012	2011
Fixed-interest securities, nominal values	160,434	45,375
Shares, investment certificates, participation notes (*Genussrecht*), market prices	1,294	5,068
Other financial instruments (derivatives), nominal values	9,507,620	17,081,825

(48) REGULATORY OWN FUNDS

There follows a presentation of the own funds of RLB NÖ-Wien in accordance with *§ 23 BWG* (calculation of own funds at the level of the individual institution). RLB NÖ-Wien is part of the credit institution group (*Kreditinstitutsgruppe*) of *Raiffeisen-Holding NÖ-Wien*. The calculation of regulatory own funds in accordance with *§ 24 BWG* in conjunction with *§ 30 BWG* (calculation of the own funds of the credit institution group) is the responsibility of the superordinate institution, in this case *Raiffeisen-Holding NÖ-Wien*. Consequently, the regulatory own funds of the credit institution group are presented in the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien*.

Since 2012, regulatory own funds have been presented in the Consolidated Financial Statements of RLB NÖ-Wien at the level of the individual institution. Because the difference compared with the calculation of own funds in accordance with *§ 23 BWG* (at the level of the individual institution) would be immaterial, a voluntary presentation for informational purposes of a *Kreditinstitutsgruppe* (credit institution group) in accordance with *§ 24 BWG* in conjunction with *§ 30 BWG* (calculation of the own funds of the *Kreditinstitutsgruppe*) has not been provided for RLB NÖ-Wien.

€'000	2012	2011
Paid-in capital	723,432	723,432
Earned capital	790,449	758,012
Hybrid capital	0	0
Intangible assets	(8,780)	(7,838)
Tier 1 capital	**1,505,101**	**1,473,606**
Deductions from Tier 1 capital	(38,248)	(111,517)
Eligible Tier 1 capital (after deductions)	**1,466,853**	**1,362,089**
Supplementary capital within the meaning of *§ 23 Abs. 1 Z. 5 BWG*	249,214	252,409
Hidden reserves	85,402	145,500
Long-term subordinated debt capital	338,662	365,940
Additional own funds	**673,278**	**763,849**
Deductions from additional own funds	(38,248)	(111,517)
Additional own funds (after deductions)	**635,030**	**652,332**
Eligible own funds	**2,101,883**	**2,014,421**
Tier 3 capital	13,728	18,548
Total own funds	**2,115,611**	**2,032,969**
Surplus own funds	977,279	878,836
Surplus own funds ratio	85.85	76.15
Tier 1 ratio (credit risk), %	**10.96**	**10.06**
Tier 1 ratio (total), %	**10.31**	**9.44**
Own funds ratio (credit risk), %	**15.81**	**15.01**
Own funds ratio (total), %	**14.87**	**14.09**

The Tier 1 ratio and own funds ratio are stated in relation to the risk-weighted basis of assessment pursuant to *§ 22 BWG*.

The total own funds requirement was made up as follows:

€'000	2012	2011
Own funds requirement		
Credit risk pursuant to *§ 22 Abs. 2 BWG*	1,070,618	1,083,297
Trading book pursuant to *§ 22o Abs. 2 BWG*	13,728	18,548
Operational risk pursuant to *§ 22i BWG*	53,986	52,288
Total own funds requirement	**1,138,332**	**1,154,133**
Basis of assessment (credit risk) pursuant to *§ 22 Abs. 2 BWG*	**13,382,725**	**13,541,213**
Basis of assessment (total risk)	**14,229,150**	**14,426,663**

Information required to be disclosed pursuant to *§ 26* and *§ 26a BWG* and the *Offenlegungsverordnung* (Austrian disclosures directive) is published by the superordinate credit institution, *Raiffeisen-Holding NÖ-Wien*, on its website at www.rhnoew.at. The relevant information pertaining to RLB NÖ-Wien is published on its website at www.rlbnoew.at.

(49) AVERAGE NUMBER OF STAFF

The average number of staff employed during the financial year (full time equivalents) broke down as follows:

	2012	2011
White collar	1,285	1,266
Blue collar	0	0
Total	**1,285**	**1,266**

(50) EVENTS AFTER THE BALANCE SHEET DATE AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

In order to strengthen its capital structure against the backdrop of the changes to the regulatory requirements (Basel III), RLB NÖ-Wien decided in February 2013 to sell investment securities worth roughly €1 billion. The Consolidated Financial Statements were completed by the Managing Board during the Managing Board meeting on 25 March 2013 and released for submission to the Supervisory Board for further examination. The Consolidated Financial Statements will be presented to the Supervisory Board for approval during the Supervisory Board meeting on 11 April 2013.

Overview of Equity Investments (pursuant to *§ 265 Abs. 2 UGB*)

The tables below present the RLB NÖ-Wien Group's equity investments.

(51) CONSOLIDATED SUBSIDIARIES

Entity	Subscribed Capital	Currency	Percentage Held	Type[1]
'ARSIS' Beteiligungs GmbH, Vienna	140,000	€	100%	OT
'BARIBAL' Holding GmbH, Vienna	105,000	€	100%	OT
Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs GmbH, Vienna	250,000	€	80%	OT
RLB NÖ-Wien Holding GmbH, Vienna	70,000	€	100%	OT
RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna	35,000	€	100%	OT
RLB Ostbankenholding GmbH, Vienna	37,000	€	100%	OT

(52) ENTITIES ACCOUNTED FOR IN THE CONSOLIDATED FINANCIAL STATEMENTS USING THE EQUITY METHOD

Entity	Subscribed Capital	Currency	Percentage Held	Type[1]
Raiffeisen Informatik GmbH, Vienna	1,460,000	€	47.75%	OT
Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna	492,466,423	€	34.74%	BA

Summary of financial information about entities accounted for using the equity method:

€m	2012	2011
Assets	146,701	246,627
Liabilities	134,432	226,962
Revenues (non-banking)	1,577	2,411
Net interest income (banking)	3,531	4,870
Profit for the year	638	1,780

(53) UNCONSOLIDATED SUBSIDIARIES

Entity	Subscribed Capital	Currency	Percentage Held	Type[1]
'AKTUELL' Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna	73,000	€	100.00%	OT
'PRUBOS' Beteiligungs GmbH, Vienna	35,000	€	100.00%	OT
'RUFUS' Beteiligungs GmbH, Vienna	146,000	€	100.00%	OT
'TEMISTO' Beteiligungs GmbH, Vienna	35,000	€	100.00%	OT
'TOJON' Beteiligungs GmbH, Vienna	70,000	€	100.00%	OT
Baureo Projektentwicklungs GmbH, Vienna	35,000	€	100.00%	OT
KREBEG Finanzierungsberatungs GmbH, Vienna	35,000	€	95.00%	OT
MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, Vienna	400,000	€	75.00%	OT
NAWARO ENERGIE Betrieb GmbH, Zwettl	36,000	€	100.00%	OT
NÖ Raiffeisen Kommunalservice Holding GmbH, Vienna	35,000	€	100.00%	OT
Raiffeisen Beratung direkt GmbH, Vienna	37,000	€	100.00%	BR
Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Wiener Neudorf	35,000	€	100.00%	OT
Raiffeisen NÖ-W Einkaufs- und Beschaffungs GmbH & Co KG, Vienna [2]	—	—	—	OT
Raiffeisen NÖ-W Einkaufs- und Beschaffungs GmbH, Vienna	70,000	€	100.00%	OT
Raiffeisen Versicherungs- und Bauspar-Agentur GmbH, Vienna	70,000	€	100.00%	OT
Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna	41,936	€	98.40%	OT
RALV Holding GmbH, Vienna	37,000	€	100.00%	OT
RLB Businessconsulting GmbH, Vienna	35,000	€	100.00%	OT
RLB NÖ-W Factoring Beteiligungs GmbH, Vienna	70,000	€	100.00%	OT
RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna	35,000	€	100.00%	OT
TIONE Altbau-Entwicklung GmbH, Vienna	37,000	€	100.00%	OT
Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Graz	50,000	€	100.00%	OT

KEY:
[1] Entity type
BA Bank
BR Entity rendering banking-related ancillary services
FH Financial holding company
FI Other financial institution
OT Other
[2] Partner with unlimited liability.

(54) OTHER EQUITY INVESTMENTS

Associates not accounted for using the equity method:

Entity	Subscribed Capital	Currency	Percentage Held	Type[1]
Central Danube Region Marketing & Development GmbH, Vienna	200,000	€	50.00%	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, Vienna[2]	—	—	—	FI
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna	36,400	€	40.00%	OT
ecoplus International GmbH, Vienna	35,000	€	30.00%	OT
NÖ Beteiligungsfinanzierungen GmbH, Vienna	1,816,821	€	29.00%	BA
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna	50,000	€	74.00%	FI
Raiffeisen Factoring Holding GmbH, Vienna	35,000	€	35.77%	OT
Raiffeisen Software Solution und Service GmbH, Vienna	773,000	€	37.83%	OT
Raiffeisen-Leasing Managment GmbH, Vienna	300,000	€	21.56%	FI
Raiffeisen-Leasing Österreich GmbH, Vienna	100,000	€	32.34%	FI
RSC Raiffeisen Service Center GmbH, Vienna	2,000,000	€	25.01%	OT

KEY:
[1] Entity type
BA Bank
BR Entity rendering banking-related ancillary services
FH Financial holding company
FI Other financial institution
OT Other
[2] Partner with unlimited liability.

As a result of contractual agreements, *NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H.* and *Die Niederösterreichische Leasing Gesellschaft m.b.H. & Co. KG* were not controlled.

(55) ENTITIES RELATED VIA PARENT RAIFFEISEN-HOLDING NÖ-WIEN

Of which consolidated subsidiaries within the *Raiffeisen Holding NÖ-Wien Group:*

'ADELANTE' Holding GmbH, Vienna
'ALDOS' Beteiligungs GmbH, Vienna
'ALMARA' Holding GmbH, Vienna
'BASCO' Beteiligungs GmbH, Vienna
'BELLAGIO' Holding GmbH, Vienna
'BORTA' Holding GmbH, Vienna
'CRIOLLA' Beteiligungs GmbH, Vienna
'*DIMALO' Beteiligungs GmbH*, Vienna
'EMERIA' Beteiligungs GmbH, Vienna
'ERCOM' Beteiligungs GmbH, Vienna
'FILIUS' Holding GmbH, Vienna
'HELANE' Beteiligungs GmbH, Vienna
'LAREDO' Beteiligungs GmbH, Vienna
'LOMBA' Beteiligungs GmbH, Vienna
'MARMARIS' Holding GmbH, Vienna
'MORUS' Beteiligungs GmbH, Vienna
'NESSOS' Beteiligungs GmbH, Vienna
'Octavia' Holding GmbH, Vienna
'OLIGO' Holding GmbH, Vienna
'PIANS' Beteiligungs GmbH, Vienna
'PROCAS' Holding GmbH, Vienna
'PROKAP' Beteiligungs GmbH, Vienna
'RASKIA' Beteiligungs GmbH, Vienna
'RUMOR' Holding GmbH, Vienna
'SEPTO' Beteiligungs GmbH, Vienna
'TALIS' Holding GmbH, Vienna
'URUBU' Holding GmbH, Vienna
AMPA s.r.o., Pardubice (CZ)
AURORA MÜHLE HAMBURG GmbH, Hamburg (D)
AURORA MÜHLEN GMBH, Hamburg (D)
BLR-Baubeteiligungs GmbH, Vienna
Botrus Beteiligungs GmbH, Vienna
cafe+co Delikomat Sp. z o.o., Bielsko-Biała (PL)
cafe+co Deutschland GmbH, Regensburg (D)
cafe+co International Holding GmbH, Vienna
cafe+co Ital- és Ételautomata Kft., Alsónémedi (H)
Delikomat Betriebsverpflegung Gesellschaft m.b.H., Vienna
DELIKOMAT d.o.o., Maribor (SLO)
Delikomat s.r.o., Brno (CZ)
DELTA MLỲNY s.r.o., Kyjov (CZ)
Diamant International Malom Kft., Baja (H)
DZR Immobilien und Beteiligungs GmbH, Vienna
Eidermühle GmbH, Hamburg (D)
Erste Wiener Walzmühle Vonwiller Gesellschaft m.b.H., Schwechat
Estezet Beteiligungsgesellschaft m.b.H., Vienna
Eudamonia Projektentwicklungs GmbH, Vienna
FARINA Mühlen GmbH, Raaba
FIDEVENTURA Beteiligungs GmbH, Vienna
Frischlogistik und Handel GmbH, Baden bei Wien
GoodMills Group GmbH, Vienna
GoodMills Polska Grodzisk Wielkopolski sp. z o.o., Grodzisk Wielkopolski (PL)
GoodMills Polska Kamionka Sp. z o.o., Kamień Krajeński (PL)
GoodMills Polska Kutno Sp.z o.o., Kutno (PL)
GoodMills Polska Sp.z o.o., Poznań (PL)
GoodMills Polska Stradunia Sp.z o.o., Stradunia (PL)
KAMPFFMEYER Food Innovation GmbH, Hamburg (D)

Kampffmeyer Mühlen GmbH, Hamburg (D)
Latteria NÖM, Milan (I)
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna
Marchfelder Zuckerfabriken Gesellschaft m.b.H., Vienna
MAZ Beteiligungs GmbH, Vienna
Mecklenburger Elde-Mühlen GmbH, Parchim (D)
Mona Hungary Kft., Budapest (H)
Müller's Mühle GmbH, Gelsenkirchen (D)
NBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H., Vienna
Niederösterreichische Milch Holding GmbH, Vienna
NÖM AG, Baden bei Wien
NOM DAIRY UK LIMITED, London (UK)
NÖM International AG, Baden bei Wien
Nordland Mühlen GmbH, Jarmen (D)
Obere Donaustraße Liegenschaftsbesitz GmbH, Vienna
PANNONMILL Malomipari Zrt., Komárom (H)
PBS Immobilienholding GmbH, Vienna
Raiffeisen Agrar Holding GmbH, Vienna
Raiffeisen Agrar Invest GmbH, Vienna
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna
Rannersdorfer Bio Mühlen GmbH, Schwechat
RARITAS Holding GmbH, Vienna
RENERGIE Raiffeisen Managementgesellschaft für erneuerbare Energie GmbH, Vienna
RFT Beteiligungs GmbH, Vienna
RH Anteilsverwaltungs GmbH, Vienna
RH Finanzberatung und Treuhandverwaltung Gesellschaft m.b.H., Vienna
RH Finanzbeteiligungs GmbH, Vienna
RH Versicherungsholding GmbH, Vienna
RH WEL Beteiligungs GmbH, Vienna
RHG Holding GmbH, Vienna
Rosenmühle GmbH, Ergolding (D)
Rossauer Lände 3 Immobilienprojektentwicklung GmbH, Vienna
Schüttmühle Berlin GmbH, Berlin (D)
Sofia Mel EAD, Sofia (BG)
St. Leopold Liegenschaftsverwaltungs- und Beteiligungsgesellschaft m.b.H., Vienna
TITAN S.A., Pantelimon (RO)
TOP-CUP Office-Coffee-Service Vertriebsgesellschaft m.b.H., Klagenfurt
TOV Regionprodukt, Gnidin (UA)
UNIMILLS a.s., Prague (CZ)
Vendare Warenhandelsgesellschaft m.b.H., Vienna
VK 'Polen' GmbH, Hamburg (D)
VK Mühlen Aktiengesellschaft, Hamburg (D)
WALDSANATORIUM PERCHTOLDSDORF GmbH, Salzburg
Zucker Invest GmbH, Vienna
Zucker Vermögensverwaltungs GmbH, Vienna
Zucker-Beteiligungsgesellschaft m.b.H., Vienna
Zuckermarkt - Studiengesellschaft m.b.H., Vienna

Of which unconsolidated entities within the *Raiffeisen Holding NÖ-Wien Group*:

'ARANJA' Beteiligungs GmbH, Vienna
'BANUS' Beteiligungs GmbH, Vienna
'BENEFICIO' Holding GmbH, Vienna
'CREMBS' GmbH, Vienna
'ELIGIUS' Holding GmbH, Vienna
'EUSEBIO' Beteiligungs GmbH, Vienna
'GULBIS' Beteiligungs GmbH, Vienna
'Küche & Kantine' Betrieb GmbH, Vienna
'MAURA' Immobilien GmbH, Vienna
'PINUS' Liegenschaftsverwaltungs GmbH, Vienna
'SANSARA' Holding GmbH, Vienna
'*SERET' Beteiligungs GmbH*, Vienna
'SEVERUS' Beteiligungs GmbH, Vienna
AlfaPark s.r.o., Bratislava (SK)
BENIGNITAS GmbH, Vienna
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH, Hamburg (D)
Bioenergie Orth a. d. Donau GmbH, Vienna
C - Holding s.r.o., Modřice (CZ)
Café+co Rus, ZAO, Moscow (RU)
CAFE+CO Timisoara S.R.L., Timisoara (RO)
DELIKOMAT d.o.o., Belgrade (RS)
DELIKOMAT d.o.o., Tomislavgrad (BiH)
DELIKOMAT d.o.o., Zagreb (HR)
Delikomat Slovensko, spol. s r.o., Bratislava (SK)
Diana Slovakia, spol. s r.o., Bratislava (SK)
Dritte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
Druhá slnečná s.r.o., Bratislava (SK)
Echion Projektentwicklungs GmbH, Vienna
Erste Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
Farina Marketing d.o.o., Ljublana (SLO)
Fünfte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
Gesundheitspark St. Pölten Errichtungs- und Betriebs GmbH, Vienna
Haldenhof Liegenschaftsverwaltungs- und -verwertungsges.m.b.H., Vienna
HEFRA solarpark development s.r.o., Lipová (CZ)
Holz- und Energiepark Vitis GmbH, Vienna
Kampffmeyer Food Innovation Polska Sp.z.o.o., Poznań (PL)
Kasernen Immobilienerrichtungsgesellschaft mbH, Vienna
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna
MID 5 Holding GmbH, Vienna
Müfa Mehl und Backbedarf Handelsgesellschaft mbH, Hamburg (D)
Neuß & Wilke GmbH, Gelsenkirchen (D)
Nisos GmbH, Vienna
PBS Immobilienprojektentwicklungs GmbH, Vienna
Raiffeisen Analytik GmbH, Vienna
RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna
Raiffeisen Vorsorgewohnungserrichtungs GmbH, Vienna
Raiffeisen-Reisebüro Gesellschaft m.b.H., Vienna
RENERGIA Solare Cantalupo s.r.l., Appiano sulla strada del vino (I)
RENERGIE - Windpark Zistersdorf Ost GmbH, Vienna
RENERGIE - Wolmirstedt GmbH & Co. KG, Leipzig (D)
RENERGIE Bad Schmiedeberg GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1]
RENERGIE Carbex Trade GmbH, Vienna
RENERGIE Carbon GmbH, Vienna
RENERGIE Dorf Mecklenburg GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1)]
RENERGIE Elsterwerda GmbH & Co. KG, Wetterzeube OT Trebnitz (D) [1]
RENERGIE green solutions GmbH, Wetterzeube OT Trebnitz (D)
RENERGIE green solutions Management GmbH, Wetterzeube OT Trebnitz (D)
RENERGIE Korgau GmbH, Wetterzeube OT Trebnitz (D)

RENERGIE Lübars GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1]
RENERGIE Sechste Biogas Falkenhaben GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1]
RENERGIE Solárny park Bánovce nad Ondavou s.r.o., Bratislava (SK)
RENERGIE Solárny park Bory s.r.o., Bratislava (SK)
RENERGIE Solárny park Budulov s.r.o., Bratislava (SK)
RENERGIE Solárny park Dulovo s.r.o., Bratislava (SK)
RENERGIE Solárny park Gemer s.r.o., Bratislava (SK)
RENERGIE Solárny park Gomboš s.r.o., Bratislava (SK)
RENERGIE Solárny park Hodejov s.r.o., Bratislava (SK)
RENERGIE Solárny Park Holding SK I, a.s., Bratislava (SK)
RENERGIE Solárny Park Holding SK II, a.s., Bratislava (SK)
RENERGIE Solárny park Horné Turovce s.r.o., Bratislava (SK)
RENERGIE Solárny park Hurbanovo s.r.o., Bratislava (SK)
RENERGIE Solárny park Jesenské s.r.o., Bratislava (SK)
RENERGIE Solárny park Kalinovo s.r.o., Bratislava (SK)
RENERGIE Solárny park Lefantovce s.r.o., Bratislava (SK)
RENERGIE Solárny park Michalovce, s.r.o., Bratislava (SK)
RENERGIE Solárny park Nižná Pokoradz s.r.o., Bratislava (SK)
RENERGIE Solárny park Nižný Skálnik, s.r.o., Bratislava (SK)
RENERGIE Solárny park Otročok, s.r.o., Bratislava (SK)
RENERGIE Solárny park Paňovce s.r.o., Bratislava (SK)
RENERGIE Solárny park Riečka s.r.o., Bratislava (SK)
RENERGIE Solárny park Rimavská Sobota s.r.o., Bratislava (SK)
RENERGIE Solárny park Rimavské Jánovce, s.r.o., Bratislava (SK)
RENERGIE Solárny park Rohov s.r.o., Bratislava (SK)
RENERGIE Solárny park Staňa s.r.o., Bratislava (SK)
RENERGIE Solárny park Uzovská Panica s.r.o., Bratislava (SK)
RENERGIE Solárny park Včelince 2 s.r.o., Bratislava (SK)
RENERGIE Solárny park Zemplínsky Branč s.r.o., Bratislava (SK)
RENERGIE Trebnitz GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1]
RENERGIE Vehlgast GmbH & Co. KG, Wetterzeube OT Trebnitz (D)[1]
RENERGIE WINDPARK DEUTSCH HASLAU GmbH, Vienna
RENERGIE-ÖKOENERGIE Projektentwicklungs GmbH, Vienna
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna[1]
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna
SL03 s.r.o., Bratislava (SK)
St. Hippolyt Beteiligungs-GmbH, Vienna
Steinmetz-Mehl Vertriebsgesellschaft Süd GmbH, Aalen (D)
TECHBASE Science Park Vienna GmbH, Vienna
Techno-Park Tulln GmbH, Wiener Neudorf
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, Gelsenkirchen (D)
Theranda Entwicklungsgenossenschaft für den Kosovo registrierte Genossenschaft mit beschränkter Haftung, Vienna
TOP CUP Deutschland office-coffee Service GmbH, Regensburg (D)
Vierte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
Waldviertel Immobilien-Vermittlung GmbH, Zwettl
Windpark HAGN GmbH, Vienna
Windpark HAGN GmbH & Co. KG, Vienna
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna
ZetaPark Lefantovce s.r.o., Bratislava (SK)
ZetaPark s.r.o., Bratislava (SK)
Zweite Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)

[1] Partner with unlimited liability.

Boards and Officers

MANAGING BOARD:

Chairman:

Erwin HAMESEDER (CEO)
(to 4 May 2012)
Klaus BUCHLEITNER(CEO)
(since 1 June 2012)

Deputy Chairman:

Georg KRAFT-KINZ (Deputy CEO)

Members:

Reinhard KARL (Member of the Managing Board)
Michael RAB (Member of the Managing Board)
Dr. Gerhard REHOR (Member of the Managing Board)

SUPERVISORY BOARD:

Chairman:

Christian KONRAD

Deputy Chairman:

Johann VIEGHOFER
Erwin HAMESEDER (to 4 May 2012)

Members:

Anton BODENSTEIN
Alfons NEUMAYER
Veronika MICKEL-GÖTTFERT (since 4 May 2012)
Johann PLACHWITZ
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER

Staff Council delegates:

Johann AMON
Anita BUCHGRABER (since 4 May 2012)
Anton HECHTL
Michael HOFER
Sibylla WACHSLER

State commissioners:

Alfred LEJSEK
Bernhard MAZEGGER

The Managing Board of RLB NÖ-Wien completed these Consolidated Financial Statements on 25 March 2013 in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union. The provisions of enterprise law that were, in addition, applicable under *§ 245a UGB* in conjunction with *§ 59a BWG* were taken into account. The Group Management Report was prepared in accordance with the provisions of Austrian enterprise law and is consistent with the Consolidated Financial Statements.

The Managing Board

Klaus BUCHLEITNER
CEO

Georg KRAFT-KINZ
Deputy CEO

Reinhard KARL
Member of the Managing Board

Gerhard REHOR
Member of the Managing Board

Michael RAB
Member of the Managing Board

The Managing Board released the Consolidated Financial Statements for submission to the Supervisory Board on 25 March 2013.

DECLARATION BY THE MANAGING BOARD

“We declare that, to the best of our knowledge, the Consolidated Financial Statements prepared in accordance with the applicable financial reporting standards present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group; that the Group Management Report presents the business performance, business results and position of the RLB NÖ-Wien Group in such a way as to presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Group; and that the Group Management Report describes the material risks and uncertainties to which the Group is exposed. We point out that IFRS-compliant financial reporting is, because of the system used, more forward-looking. For this reason, IFRS-compliant financial statements contain more planning elements and elements of uncertainty.”

Vienna
25 March 2013

The Managing Board

Klaus BUCHLEITNER
CEO
Responsible for the
Raiffeisen Banks & Management Services Division

Georg KRAFT-KINZ
Deputy CEO
Responsible for the
Personal and Business Banking Customers Division

Reinhard KARL
Member of the Managing Board
Responsible for the
Corporate Customers Division

Gerhard REHOR
Member of the Managing Board
Responsible for the
Financial Markets Division

Michael RAB
Member of the Managing Board
Responsible for the
Risk Management & Organization Division

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying **consolidated financial statements** of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna, Austria,

for the **financial year from 1 January to 31 December 2012 together with the accounting system**. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ended 31 December 2012 as well as the notes to the consolidate financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The company's management is responsible for the group accounting system and for the preparation of consolidated financial statements that present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the group in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the group to ensure that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate measurement and recognition policies; and making accounting estimates that are reasonable in the circumstances.

THE GROUP AUDITOR'S RESPONSIBILITY AND DESCRIPTION OF THE TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the group auditor considers internal control relevant to the preparation of consolidated financial statements that present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the group in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of the recognition and measurement policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a sufficiently sound basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the assets, liabilities and financial position of the group as at 31 December 2012 and of profit or loss and cash flows in the year from 1 January to 31 December 2012 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

REPORT ON THE GROUP MANAGEMENT REPORT

Pursuant to statutory provisions in Austria, the group management report must be audited to ascertain whether it is consistent with the consolidated financial statements and whether the other disclosures are not misleading with respect to the group's position. The auditor's report also has to contain a statement as to whether the group management report is consistent with the consolidated financial statements and whether the disclosures pursuant to *§ 243a Abs. 2 UGB* (Austrian commercial code) are appropriate

In our opinion, the group management report is consistent with the consolidated financial statements. The disclosures pursuant to *§ 243a Abs. 2 UGB* are appropriate.

Vienna
25 March 2013

As the Auditors appointed by *Österreichischer Raiffeisenverband*:

Verband Auditor

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Andreas Gilly	Bernhard Mechtler	Gerhard Strobl
Wirtschaftsprüfer	*Wirtschaftsprüfer*	*Steuerberater*

(Austrian Chartered Accountants) (Tax Advisor)

This report is a translation of the original report in German, which is solely valid.

GLOSSARY

Backtesting – The backward comparison of computed VaR figures with actual results to test the quality of a model.

Banking book – All on-balance sheet and off-balance sheet risk positions on a bank's balance sheet that are not assigned to the trading book.

Basis of assessment – The risk-weighted basis of assessment within the meaning of *§ 22 BWG* (see *Risk-weighted assets*).

Cash flows – Inflows and outflows of cash and cash equivalents.

Cash flow statement – Statement of cash flows during the financial year from and used in operating activities, investing activities and financing activities and a reconciliation of cash and cash-equivalents held at the beginning and the end of the financial year.

CDS (credit default swap) – A financial instrument used to hedge against credit risks in connection with loans or securities (see *Credit derivative*).

Consolidated cost:income ratio – An indicator of an enterprise's cost efficiency based on the ratio of its expenses to its earnings. It is calculated by comparing general administrative expenses (comprising staff costs and other administrative expenses and depreciation/amortization/write-offs of property, equipment and intangible assets) with operating income (net interest income, net fee and commission income, net trading income, profit from investments in entities accounted for using the equity method and other operating profit/(loss)).

Credit exposures – These comprise all on-balance-sheet exposures (loans and receivables, bonds) and off-balance sheet exposures (guarantees, credit lines).

Currency risk – The risk that the value of a financial instrument will change due to changes in foreign exchange rates.

DBO (defined benefit obligation) – The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Default risk – The risk that a counterparty in a transaction in a financial instrument will not be able to fulfil an obligation, causing the other party a financial loss.

Deferred tax assets – Deferred tax assets (reported in *Other assets*) are recognized to anticipate the future tax effects of temporary differences between the carrying amounts of assets and liabilities on the balance sheet and the tax base or of as yet unused tax loss carryforwards and tax credits.

Derivate – Derivatives are financial instruments whose value changes in response to changes in an underlying instrument, e.g. a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, that require no initial net investment or little initial net investment and that are settled at a future date. Swaps, options and futures are the most important types of derivative.

Discount – The negative difference between purchase price and nominal value.

Entities accounted for using the equity method – Entities over whose operating or financial policies a significant influence is exercised.

External rating – A standardized assessment of an issuer's credit quality and that issuer's debt instruments by specialized agencies.

Fair value – The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Future – A standardized forward contract traded on an exchange under which a commodity traded in a money, capital, precious metal or currency market is to be delivered or accepted on a specified date and at a previously agreed price.

Hedge – A transaction to protect existing or future positions against the exposure to risks (e.g. price or interest rate risks).

Hedge accounting – Hedge accounting is an accountancy practice that aims to minimize the effects on profit or loss of the opposing movements in the values of a hedge and a hedged item.

Held-for-trading – A financial asset or liability is classified as held for trading if it is used for generating a profit from short-term fluctuations in market price or dealer's margin.

Held-to-maturity – Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

ICAAP (Internal Capital Adequacy Assessment Process) – An internal process whereby banks ensure that they hold adequate internal capital to cover all the material risks to which they are or could be exposed.

IFRIC, SIC (International Financial Reporting Interpretation Committee) – Interpretations of the International Financial Reporting Standards (IFRSs); formerly also called SIC (Standing Interpretations Committee).

IFRS, IAS – The International Financial Reporting Standards and International Accounting Standards are reporting standards issued by the International Accounting Standards Board (IASB) with the goal of achieving transparent and comparable accounting on an international basis.

Interest rate risk – The risk that the value of a financial instrument will change due to fluctuations in market interest rates.

Internal rating – A detailed assessment by a bank of the potential risk associated with a borrower.

Loan derivative – An instrument that transfers the credit risks associated with loans, bonds or other risk assets or market risk positions to another entity (see CDSs).

Liquidity risk – Liquidity risk is the risk that an enterprise may not be able to meet its current and future financial obligations in full or in time and that, if the market is not sufficiently liquid, transactions may not be possible or may only be possible on less favourable terms.

Market risk – The risk that the value of a financial instrument will change as a result of fluctuations in market prices, whether those fluctuations are caused by factors specific to the individual security or its issuer or by factors affecting all securities traded in the market.

Monte Carlo simulation – A numerical method of solving mathematical problems using random sampling.

NPL (non-performing loans) – Loans that are either close to being in default or in default.

Operational risk – The risk of losses resulting from failed systems or processes or caused by staff members or external factors.

OTC instruments – Financial instruments that are neither standardized nor traded on an exchange. They are traded directly between market participants over the counter.

Own funds ratio – This ratio's numerator is eligible own funds within the meaning of BWG and its denominator is the basis of assessment pursuant to *§ 22 BWG*.

Own funds within the meaning of BWG – These are made up of Tier 1 capital, supplementary and subordinated debt capital (Tier 2) and short-term subordinated debt capital and reclassified Tier 2 capital (Tier 3).

Premium – The positive difference between purchase price and nominal value.

Repurchase agreement – During a genuine repurchase transaction (repo, repurchase agreement), the enterprise sells assets to a counterparty and undertakes at the same time to repurchase the same assets on a specified date at a specified price. In the case of a 'non-genuine' or 'pseudo' repo (*unechtes Pensionsgeschäft*), the seller is obliged to repurchase the pledged asset but is not entitled to demand its sale. Retransfer is solely at the discretion of the purchaser.

Risk:earnings ratio – The impairment charge on loans and advances in relation to net interest income.

Risk-weighted assets (RWA) – The total of the assets, off-balance sheet items and special off-balance sheet items in the banking book weighted according to business and/or counterparty risk, determined in accordance with the Austrian *Bankwesengesetz* (banking act).

ROE (return on equity) – Profit for the year before tax or after tax in relation to average equity on the balance sheet (including minority interests).

Tier 1 capital – Paid-in capital and reserves less intangible assets and balance-sheet losses and material losses during the current financial year.

Tier 1 ratio stated in relation to total risk – This ratio's numerator is Tier 1 capital and its denominator is the basis of assessment for the purposes of *§ 22 BWG* (the total own funds requirement).

Trading book – Bank regulators' term for positions held by a bank for short-term resale to exploit fluctuations in prices and interest rates. Positions that are not classified as part of the trading book are assigned to the banking book.

INFORMATION IN THE INTERNET

Raiffeisenlandesbank Niederösterreich-Wien's website provides detailed, up-to-date information about *Raiffeisen* at www.raiffeisenbank.at

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