VOLKSBANK AG

INTERIM REPORT

1ST QUARTER

2012

KEY FIGURES OF VOLKSBANK AG

Euro million	31 Mar 2012	31 Dec 2011	31 Dec 2010
Statement of financial position [1]			
Total assets	**31,626**	**41,135**	**46,550**
Loans and advances to customers	12,206	12,717	23,615
Amounts owed to customers	2,799	2,713	7,312
Debts evidenced by certificates	11,860	13,452	16,122
Subordinated liabilities	1,700	1,729	1,864
Own funds			
Core capital (tier I) after deductions	2,160	2,305	2,613
Supplementary capital (tier II, tier III) after deductions	1,073	1,021	950
Eligible qualifiying capital	3,233	3,326	3,563
Assessment base credit risk	16,867	22,947	25,454
Capital requirement market risk	117	121	54
Capital requirement operational risk	93	144	141
Surplus capital	1,673	1,225	1,333
Core capital ratio [2]	**11.1 %**	**8.8 %**	**9.4 %**
Equity ratio [2]	**16.6 %**	**12.7 %**	**12.8 %**
Income statement [3]	**1-3/2012**	**1-3/2011**	**1-3/2010**
Net interest income	56.1	116.4	128.6
Risk provisions	–22.2	–45.4	–87.5
Net fee and commission income	20.3	25.5	26.5
Net trading income	8.5	4.8	3.2
General administrative expenses	–65.5	–88.7	–86.4
Other operating result	–6.2	8.3	10.3
Income from financial investments	35.3	26.3	16.0
Income from discontinued operation	12.6	11.9	18.1
Result before taxes	**38.9**	**59.2**	**28.8**
Income taxes	–4.9	–5.1	0.6
Result after taxes	**34**	**54.1**	**29.4**
Non-controlling interest	–11.9	–3.9	–12.6
Consolidated net income	**22.2**	**50.2**	**16.8**
Key ratios [4]			
Operative cost-income-ratio	77.2 %	60.4 %	54.6 %
ROE before taxes	21.5 %	11.8 %	2.6 %
ROE after taxes	19.2 %	11.2 %	3.4 %
ROE consolidated net income	32.9 %	14.4 %	3.8 %
ROE before taxes (regulatory)	7.8 %	12.7 %	2.6 %
Resources [3]			
Staff average	2,005	3,511	3,658
of which domestic	1,222	1,344	1,360
of which foreign	783	2,167	2,298
	31 Mar 2012	**31 Dec 2011**	**31 Dec 2010**
Staff at end of period	1,982	2,038	3,540
of which domestic	1,203	1,253	1,353
of which foreign	779	785	2,187
Number of sales outlets	2	2	238
of which domestic	1	1	1
of which foreign	1	1	237

[1] The comparative figures of 2010 were adjusted according to IAS 8.

[2] In relation to total risk

[3] The comparative figures of 2010 and 2011 were restated for discontinued operation in line with IFRS 5 and according to IAS 8 (see Notes chapter 1).

[4] The operating cost-income-ratio is the ratio between net interest income, net fee and commission income and general administrative expenses. All ratios were displayed without including discontinued operation or disposal group.

CONTENT

Interim Report

Any role descriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.
English translation by EVS Translations and BBi.

MANAGEMENT REPORT

Report on business development and the economic situation

Economic environment

Following a downturn in real economic output in the fourth quarter of the previous year, development in the euro area remained weak in the first quarter of 2012. Despite a slight increase in February, industrial production declined as against the previous year. Construction activity was even weaker, with the figure for February down 7.1% on the previous month and 12.9% on the same period of the previous year. Only the January figures are available for Austria, where both sectors grew year-on-year. Retail sales in the euro area increased slightly in the first two months of the year. By contrast, retail sales in Austria fell during the same period, although the year-on-year change of –1.4% in February was slightly better than the figure of –2.1% for the euro area as a whole.

Unemployment in the euro area reached a new high of 10.9% in March, up one percentage point on the previous year. However, the Austrian employment market was largely unaffected by this sharp rise: having come in at 4.1% in January and February, the unemployment rate declined to 4.0% in March, meaning that Austria again recorded the lowest level in the entire euro area.

In the first three months of 2012, inflation in both Austria and the euro area as a whole averaged 2.7%. The key price drivers – costs for housing and transport – were again dependent to a large extent on the oil price, which continued to rise in the first quarter, reaching an intra-day peak of USD 128 per barrel of Brent crude. This reflected political uncertainties such as the conflict over Iran's nuclear programme and the tension in Syria.

The continued weak macroeconomic development in the euro area was attributable to the sharp downturn in demand in the countries most affected by the government debt crisis and to the difficulties in the financial sector. While the government debt crisis reached new extremes in the first quarter with the restructuring of Greek debt, the situation on the financial markets relaxed somewhat after the European Central Bank provided commercial banks with more than euro 1,000 billion of three-year liquidity at the (indexed) base rate as part of its longer-term refinancing operations. With the base rate unchanged at 1%, three-month Euribor fell from 1.36% to 0.78% in the first quarter of 2012. The European stock markets recovered (ATX +14%) and premiums of the majority of European government bonds declined relative to the German Bund.

The countries of Central and Eastern Europe (CEE) also saw comparatively weak economic development in the first quarter although, with the exception of Hungary, industrial production up to and including February was higher than in the previous year. Romania, which only emerged from a long recession in 2011, started 2012 with year-on-year growth in industrial production. However, the annual rate fell to below zero in February. As in the euro area, inflation in the CEE region remained at a similar level as in the final quarter of 2011. In Romania, the downward trend that began in 2011 continued at a lower level, with inflation in March coming in 0.2 percentage points below the figure for the euro area. This allowed the Central Bank to cut its base rate to a new historical low of 5.25% in the first quarter. While the CEE currencies benefited from the improvement of the financial sector, with exchange rates recovering as a result, the moderate depreciation of the Romanian leu continued.

Business development

The result for the first quarter of 2012 was satisfactory. The result before taxes was euro 39 million, the consolidated result after taxes and non-controlling interest amounted to euro 22 million.

The stabilisation measures agreed between the owners of VBAG and the Republic of Austria on 27 February 2012 were approved at the Annual General Meeting of 26 April 2012. As a result of the capital reduction and subsequent capital increase, equity in the single entity and own funds in accordance with the Austrian Banking Act increase with retroactive effect from 31 December 2011. According to IFRS, the measures can only be reported in the consolidated financial statements once they take full legal effect.

The sale of Volksbank International AG was finalised on 15 February 2012, at which time the VBI sub-group was deconsolidated. Income up to 15 February and the deconsolidation proceeds were recognised as income from discontinued operation.

The sale of all VBAG participations in the VICTORIA Volksbanken insurance companies in Austria and CEE was finalised with the closing on 16 February 2012.

In addition, the closing of the sale of Selini Holding GmbH, which originally formed part of Europolis Group, took place on 12 April 2012, so that all assets from the Europolis Group business area have now been sold.

All of these measures contributed to a significant strengthening of VBAG's capital. In particular, a marked improvement in capital ratios was achieved with the sale of the VBI sub-group. As of 31 March 2012, the tier I ratio (in relation to total risk) was 11.1% (31 December 2011: 8.8%), and the equity ratio (in relation to total risk) stood at 16.6% (31 December 2011: 12.7%).

Results in detail

Segment reporting was adjusted in the course of the restructuring. The Financing, Financial Markets, and Investment Book/Other Operations segments constitute VBAG's core business. The Non-core Business segment comprises all areas that are to be sold or wound down in accordance with their repayment profile. This segment consists of the Corporates, Real Estate, CEE Leasing, and VB RO business areas, as well as parts of the investment book.

The 1-3/2011 result for Volksbank Romania (VB RO), which has been measured at equity as of October 2011, is included in the result for the comparative period.

Net interest income amounted to euro 56 million in the first quarter of 2012, down euro 60 million year-on-year. Euro 32 million of the decline is attributable to VB RO and euro 12 million to other areas of the Non-core Business segment. Net interest income remains below the previous year's level in the Investment Book/Other Operations segment since, in view of VBAG's conservative policy on interest-rate risks, maturing investments were not fully replaced.

Net fee and commission income in the first quarter of 2012 was euro 20 million, down euro 5 million year-on-year. The Non-core Business segment was responsible for euro 4 million (VB RO euro 2 million) of this decline.

Net trading income increased to euro 8 million. The improvement is attributable to VB RO, which in the comparative period recorded a net trading loss of euro –10 million due to exchange rate fluctuations. Despite very difficult market conditions, the net trading result of the Financial Markets segment was positive in the first quarter of 2012. Compared to the first quarter of the previous year, the segment's net trading result declined, which is a consequence of the above average result that was achieved in the first quarter 2011.

General administrative expenses were reduced by euro 23 million to a total of euro 65 million. In addition to VB RO, which was responsible for euro 14 million of the decrease, cost savings were achieved particularly in the Investment Book/Other Operations segment. Adjusted for the disposal group, the number of employees fell by 56 since the end of 2011 to 1,982. Of these, 779 work outside Austria.

The decline in other operating income of euro 15 million is primarily attributable to the fact that deconsolidation proceeds of euro 9 million were recognised for the "North Gate" real estate project in the first quarter of 2011. Increased bank taxes of euro 2 million added to the decline.

Risk provisions for the first quarter of 2012 amounted to euro 22 million (Q1 2011: euro 45 million). VB RO was responsible for euro 18 million of the decrease and the corporates business area within the Non-core Business segment for euro 4 million.

Income from financial investments amounted to euro 35 million for the first quarter of 2012, representing a year-on-year increase of euro 9 million. This item includes income of euro 21 million from the sale of the VICTORIA Volksbanken insurance companies on 16 February 2012.

The sale of VBI AG and its subsidiaries closed on 15 February 2012. The deconsolidation result and income for the period 1 January to 15 February 2012 were recognised as income from discontinued operations. The negative deconsolidation result of euro –8 million was offset by a positive result before taxes of euro 21 million (including consolidation) for the period 1 January to 15 February 2012.

In addition, Selini GmbH and the Vremena Goda project, which has been measured at equity, contribute an amount of euro 0.2 million to the income from discontinued operation. Closing of the Selini sales agreement took place on 12 April 2012, the company was deconsolidated at that time.

The rise in non-controlling interest is attributable to the increase in the result for the VBI sub-group and to VB RO.

Statement of financial position and own funds

As at 31 March 2012, total assets amounted to euro 31.6 billion, which represents a decrease of euro 9.5 billion compared with 31 December 2011. Of this decrease, euro 8.8 billion is attributable to the deconsolidation of the VBI sub-group.

Loans and advances to customers continued to fall, amounting to euro 12.2 billion as at 31 March 2012. Declines were registered primarily in the Non-core Business segment, specifically in the Corporates and Real Estate business areas.

Amounts owed to customers, at euro 2.8 billion, remained stable compared with 31 December 2011. Debts evidenced by certificates amounted to euro 11.9 billion as at 31 March 2012, the year-on-year decline of euro 1.6 billion is a result of redemptions.

VBAG Group's own funds amounted to euro 3.2 billion as at 31 March 2012. Retroactive capital measures (capital reduction and capital increase) were already included in the calculation of own funds. The tier I ratio (ratio of core capital in relation to the assessment base for credit risk) reached 12.8% (31 December 2011: 10.0%). The tier I ratio in relation to total risk was 11.1% (31 December 2011: 8.8%). The equity ratio in relation to total risk stood at 16.6% (31 December 2011: 12.7%). Eligible own funds exceeded the regulatory requirement by nearly euro 1.7 billion.

Outlook

Economic environment

Uncertainty on the financial markets intensified again in the first weeks of the second quarter. The results of the Greek parliamentary elections on 6 May cast further doubt on the programmes agreed with Greece. In the other nations on the periphery of the euro area, too, the economic policy challenges remain substantial. While the economic growth trend in most emerging economies has slowed as expected, the most recent data for US industry was encouraging. Furthermore, the full impact of the relaxation in the ECB's fiscal policy in late 2011 has yet to be felt, meaning that the economic environment can be expected to improve slightly over the course of the year providing the situation in Greece stabilises or the new support mechanisms and regulations provide the other countries in the euro area with effective protection against developments in Greece.

Business performance

Scheduled capital and restructuring measures were approved at the Annual General Meeting of 26 April 2012. This laid the foundation for the stabilisation and continuity of the institution. Investkredit will be merged with VBAG with retroactive effect from 31 December 2011. The capital reduction and subsequent capital increase, which are also effective retroactively as of 31 December 2011, secure the capitalisation necessary for the business strategy to be implemented. EU and FMA approvals required for their full legal effect are expected in the third quarter.

The planned joint liability scheme modelled on section 30a of the Austrian Banking Act specifies the new orientation of the by then merged company. The new institution will focus on its role as central institution of the Austrian Volksbanks. Operations outside this area (Non-core Business) are to be sold or wound down in accordance with their underlying repayment profile.

FINANCING SEGMENT

As a result of VBAG's reorientation and the strategy of discontinuing certain operations, a new organisational and operating structure has been implemented for the former Corporates segment. Since 1 January 2012, the business activities have been broken down into the segments of

- Financing (= core business) and
- Non-core Business (presented on pages 14 to 16)

The aim of this restructuring of the segments is to ensure a clear focus on new business opportunities and to facilitate a stringent reduction in the asset side of the balance sheet in order to strengthen VBAG's capital ratios in the long term.

The Financing segment consists of the SMEs/Syndicate Business, Corporate Subsidies and Trade Finance, Project Finance, VB Leasing Finanzierungsgesellschaft m.b.H. and VB Factoring Bank AG business areas.

Segment result

The result in the first quarter 2012 in the segment Financing could be kept stable. Result before taxes amounted to euro 1 million. Risk provision decreased slightly whereas all other positions in income statement remained at the same level as in the comparativ period in the previous year.

Commercial business

SMEs/Syndicate Business

New business with the Volksbanks enjoyed stable development in the first quarter of 2012, albeit at a lower level than in the same period of the previous year.

Activities in this area continued to focus on forms of syndicate investment with little impact on risk-weighted assets, particularly by involving subsidised lending to a greater extent. With regard to the direct customer exposures transferred from the Corporates area at the start of the year, efforts to involve local Volksbanks were intensified in the first quarter.

Corporate Subsidies and Trade Finance

Once again, there was strong demand for corporate subsidies among the Volksbanks' core Austrian clients in the first quarter of 2012.

At the end of March 2012, the total ERP loan volume amounted to around euro 192 million (compared with euro 217 million at the end of the first quarter of 2011). This reduction is largely attributable to the change in the Group's strategy, with the Volksbanks' small and medium-sized clients being classified as core customers in future. However, the number of individual loans again increased significantly to more than 380 ERP loans (including 244 ERP small loans) compared with 291 loans (including 151 small loans) in the first quarter of 2011. In the first three months of the year alone, 32 ERP loans (including 21 ERP small loans) with a volume of more than euro 22 million were added. This serves to underline the fact that investing continues in the Austrian economy. The majority of the new subsidised loans now are generated by the local Volksbanks, which thereby support Austrian SMEs.

In OeKB short-term business, the exposure continued to stagnate at around euro 40 million across a total of 15 loans (compared with 20 loans with a volume of euro 43 million in the first quarter of 2011). This can be attributed to the new strategic focus on SMEs.

The volume of financing under the Austrian Export Fund – for SME customers of the Volksbank sector banks – declined to around euro 39 million across 143 loans (compared with 157 loans with a volume of euro 51 million in the first quarter of 2011) as a result of two substantial loan repayments (euro 10 million due to the elimination of SME thresholds) and lower export sales on the part of some SMEs, meaning that it is lower than the long-term average of around euro 50 million.

In the first quarter of 2012, a new OeKB equity finance deal with a volume of around euro 1 million was concluded, resulting in a volume of around euro 414 million across 51 loans (compared with 51 loans with a volume of euro 464 million in the first quarter of 2011).

The soft loan exposure increased by around euro 6 million in the first quarter of 2012 to total around euro 55 million, with the number of individual loans unchanged at 11.

In the area of trade finance, the Bank primarily concentrates on documentary business involving letters of credit and guarantees for customers of the Volksbank sector.

Project finance

The renewable energies sector has been impacted by the difficult economic environment and, in particular, the fact that it is increasingly expensive to obtain long-term liquidity in the form of free financing. At the same time, however, the possibilities for cheap refinancing provided by EIB and KfW are having a positive impact. Thanks to long-standing customer relations and many years of industry expertise, the course of business to date has been satisfactory for VBAG's project finance business area and the outlook for the rest of 2012 is positive.

One especially encouraging fact is that the aim to extend more loans for renewable energy projects in Austria – an area that all but came to a standstill in recent years due to the reduced opportunities for feed-in – could be achieved, with individual Volksbanks being included in these profitable financing arrangements.

VB Leasing Finanzierungsgesellschaft m.b.H. (VBLF)

With the good results recorded by VB Leasing Finanzierungsgesellschaft in the first quarter of 2012 the strong development enjoyed in 2011 could be continued, albeit at a slightly lower level due to the sharp rise in refinancing costs. The volume of new business generated was euro 70 million in the period under review, corresponding to more than 3,900 individual contracts – a moderate rise compared with the first quarter of 2011. Results in the area of automotive lending were encouraging. Although the Austrian market for motor vehicles saw a downturn of 7.5% in the first quarter of 2012, VBLF's stable new business volume meant that it succeeded in increasing its market penetration. VB Leasing is currently ranked seventh among moveable goods leasing providers in Austria.

The Volksbank sector as a sales channel

In the 2012 financial year, VB Leasing Finanzierungsgesellschaft's sales activities are again focusing on the Volksbank sector. The marketing activities within the framework of the campaign aimed at the Volksbanks that was launched successfully in 2011 will be continued.

As a result of this approach, sales generated via the Volksbanks sales channel grew by 20% year-on-year in the first quarter of 2012.

VB Factoring Bank AG

The development of the factoring business was satisfactory. In the first quarter of 2012, the sector specialist VB Factoring Bank AG recorded year-on-year growth of 25% which is largely attributable to the high volume of new business of the previous year.

Outlook for the Financing Segment

Based on the number of enquiries already in the pipeline, the syndicate business expects to see moderate growth in the volume of new business. The primary focus for 2012 is to provide active support for the Volksbanks and gain new customers.

The area of renewable energy project finance is focusing in particular on the increasing grid parity of renewable energies, especially photovoltaics. It is important to make the necessary preparations to ensure that private and commercial investments in photovoltaic plants are attractive in future even without corresponding subsidies.

The substantial number of applications received for small ERP loans means that the level of demand for ERP loans in the SME business client segment of the Volksbanks is highly satisfactory. Taken together with large ERP loans, a new volume of in excess of euro 30 million is expected by year-end.

The new business volume for long-term OeKB equity finance is essentially stagnating, although a reduction in the volume for this product is planned on account of the new strategic focus on SMEs, whose investment projects tend to be considerably smaller.

As many companies expect the Basel III discussions to result in a tighter credit supply, demand for subsidised loans, and export fund financing in particular, is rising sharply. Volksbank AG – Investkredit is forecasting a new export fund financing volume of around euro 20 million with some 50 new contracts concluded by year-end, although this will depend on the development of short-term interest rates. Volksbank AG – Investkredit will react to the trend among companies to reduce their dependence on the free credit market by developing special financing products for Austrian SMEs, among other things.

VB Leasing Finanzierungsgesellschaft m.b.H. will continue to pursue its systematic risk policy in terms of creditworthiness, asset security and risk diversification, with a particular focus on ensuring a risk-adequate pricing policy.

Due to the anticipated loss of customers and the moderate level of new business in 2012 to date, VB Factoring Bank AG expects its growth rate to slow.

FINANCIAL MARKETS SEGMENT

In December 2011, a reorganisation of VBAG Group's divisions was resolved. The new divisional structure reflects VBAG's focus on its core business – the function as the central institution of the Austrian Volksbanks. All business units that are tasked with servicing the Volksbank sector are pooled in the new Market division. The Financial Markets segment performs a wide range of services for the sector and hence is allocated to the Market division.

The reorganisation of the divisions made it necessary to adjust the segment structure. As previously, the new Financial Markets segment encompasses the customer-oriented organisational units of Group Treasury and Volksbank Investments, as well as strategically important executive departments. The segment now also includes Immo Kapitalanlage AG which was previously allocated to the Real Estate segment. The online bank LiveBANK, which was acquired in October 2011 from Volksbank Kufstein, also belongs to Financial Markets.

The Financial Markets segment is responsible for performing VBAG's central institution function, and therefore for servicing and supporting the Volksbank sector. Group Treasury performs all treasury services such as securities and foreign exchange trading and the management of interest rate and currency risks. Volksbank Investments is an innovative product supplier for the Volksbank sector and offers a wide range of products, from traditional funds, certificates and alpha investments to asset management. The portfolio of fund products is supplemented with an open-ended real estate fund operated by Immo Kapitalanlage AG.

Segment result

Result before taxes amounted to euro 9 million for the first quarter 2012 in segment Financial Markets. The decrease in income is mainly related to trading income. Despite difficult economic environment trading income could remain positive. The decrease in comparison to the previous year is due to the good result in the first quarter of the previous year.

Group Treasury

Group Treasury's business base is in the provision of support and services to the Volksbank sector. The range of services offered encompasses the management of the regional Volksbanks' balance sheet structures, supporting them in their own and customer business, the implementation of hedging strategies for corporate clients, and the placement of capital market issues. The product range comprises bonds, interest and currency products, commodities and derivatives as well as structured products tailored to customers' specific requirements.

Trading

Like the preceding months, the first quarter of 2012 was characterised by high volatility and low interest rates resulting from the continuing crisis in the European peripheral nations. The debt crisis, particularly in Greece but also in Spain, Italy and Portugal, dominated markets in the first quarter. In Greece the forced restructuring among private creditors led to the announcement of a credit event on 9 March and to the subsequent settlement of all outstanding CDS contracts on Greece. The resulting recovery on the market was negated by the growing uncertainty as to Spain's stability in mid-March, with positive news being covered by a general sense of nervousness.

In the first quarter of 2012, spreads on primary and secondary issues tightened as a result of the significant levels of excess liquidity on the back of the refinancing campaigns initiated by the ECB at favourable conditions. The ECB continued the liquidity measures for banks it started in 2011; in late February, it opened the floodgates for the second time, providing banks with unlimited liquidity for three years at a low interest rate of 1%. As in the case of the first three-year tender, demand for this offer was high.

In trading, a precise management of short and medium-term liquidity was attained through the utilisation of all available money market instruments thereby guaranteeing a stable liquidity position throughout the reporting period.

There was a slight price adjustment on the gold market in the first quarter, with the price of gold falling due to hopes of an improvement in the global economy and of a stable US dollar. As a result, the volume of trading in gold declined year-on-year, although sales in order to take profits are still observable.

The income targets for trading activities were met in the first quarter thanks to stable customer business and the optimal management of the market conditions described above.

Consulting

The A-depot (banks' own accounts) investment decisions of the regional Volksbanks in the first quarter of 2012 were characterised in particular by the historically low interest rates and market volatility. In this difficult and risky investment environment, maturing securities positions were not extended in full. Free funds were used to reduce the volume of short-term refinancing.

In the area of risk hedging for customers of the Austrian Volksbanks, activities in the first quarter focused on interest rate hedging. The yield curve was very favourable for hedging products, the focus was on fixed interest rates products, in the first two months of the year in particular. In the area of currency hedging, customer exposures in USD, JPY and GBP were hedged. Commodity hedging is also available to the customers.

Sales from investment products arranged via order management were strong in the first quarter of 2012 despite the difficult environment, meaning that net fee and commission income was slightly higher than forecast. On the product side, the low interest rate environment led to a focus on corporate bonds. In the area of third-party funds, demand for real assets (real estate and dividend funds) in particular was high.

Sales

Banks & Institutionals

Due to the Group restructuring and the accompanying stabilisation measures as well as the development of a new sales strategy, activities in this area primarily focused on relationship management. The vast majority of customers rewarded the transparency shown to them by remaining loyal. The sales generated from bonds of domestic companies on the secondary market were also encouraging.

However, the continued government debt crisis is still having a significant impact on the euro area, leading to muted issuing activity on the capital markets. This uncertainty has triggered record yields for the nations affected, while German government bonds in particular continue to be seen as a safe haven. As a result, the yield on ten-year German Bunds fell to a record low of around 1.60%.

Corporates

The persistent low interest rate meant that corporate clients focused on interest hedging strategies in the first quarter of 2012. The demand for plain vanilla caps and interest rate swaps was strong, whereas there was hardly interest in exotic and structured hedging products.

In the area of FX hedging, too, foreign currency risks were hedged solely using traditional currency forwards or purchased FX options. Demand for commodity hedging products was high, for diesel in particular.

Volksbank Investments

In the first quarter of 2012, Volksbank Investments' assets under management remained stable despite the difficult market environment, with the volume largely unchanged compared with the start of the year at euro 7.28 billion.

Although the performance of stock markets was positive in certain cases, customers continued to focus on a policy of maximum security. This development, which comes as no surprise in light of the number of difficult market phases experienced over recent years, is likely to solidify into a permanent customer requirement.

The aim of Volksbank Investments is to be the first choice on the market for capital protection and guarantee concepts. The in-house team of experts has extensive know-how and many years of experience on the certificate market in particular. As the market leader in this securities category, Volksbank Investments enjoys particular expertise that it will successively apply to and develop for all of the product shells it offers (certificates, funds, insurance). In recent months, the groundwork has been laid for a new hedging variant that will be rolled out for the first time in conjunction with the planned new guarantee fund (which is currently awaiting approval by the Austrian Financial Markets Authority).

Funds

The development of Volksbank Investments' funds was mixed in the first quarter. The high net outflow of euro 2.1 billion on the Austrian bond market as a whole naturally had an effect on Volksbank Investments. Nevertheless, the total volume of Volksbank Investments´ funds dropped only slightly by 1.9% to euro 2.74 billion. A decline in Volksbank Investments' bond funds was offset to a large degree by an encouraging improvement in the area of equity funds. The VB-Amerika-Invest, VB-Europa-Invest and VB-Pacific-Invest funds especially benefited from the considerably more optimistic equity markets environment.

The aforementioned funds also form part of the product solutions offered in conjunction with the current focus on “crisis investments”. The climate on the equity markets has improved substantially following extremely positive development in January, meaning that the conditions are favourable for investors seeking to increase their equity allocations.

Certificates

Although still a young investment category, certificates generally performed extremely well during the severe crisis from 2008 to 2011. In the first quarter of 2012, however, the certificate market was characterised by a degree of uncertainty and caution, with the certificate volume in Austria as a whole declining slightly during this period. Volksbank Investments’ certificate volume fell by around 6% to euro 2.05 billion in the first quarter; this decline is attributable to a certain degree to expiring products that could not be fully replaced due to the difficult market situation. However, Volksbank Investments maintained its leading position by some distance, accounting for a share of the guarantee certificate market of more than 40%.

The strong focus on security was also reflected in the investment behaviour of certificate buyers: more than 99% of the volume was attributable to “investment products” (capital protection, bonus or index certificates), with certificates offering full capital protection enjoying particularly strong demand.

With the markets remaining highly volatile, Volksbank Investments continued to focus on issuing certificates offering partial protection at very attractive conditions in the first few months of 2012. This allows investors to benefit from rising, stagnating or even falling prices.

Sustainable products

The development of sustainable fund and certificate products continued to be positive, sustainable products accounted for more than 17% of the total volume as of 31 March 2012.

Asset management

The steady rise in the volume of asset management mandates is also encouraging. In the first quarter of 2012, this figure increased by 3.9% to euro 2.37 billion. The continuous growth in this area serves as an endorsement of Volksbank Investments’ strategic orientation.

Awards

Volksbank Investments’ expertise in the area of asset management was confirmed once again with the recent award of a prestigious international prize. The Global Pension Funds Award 2012 presented to Victoria-Volksbanken Pensionskassen AG can be attributed in particular to the asset management approach for which Volksbank Investments is responsible. This successful investment philosophy is applied to all asset management products.

The highly successful track record of Volksbank Investments’ fund management team was again confirmed: in 2012, “Volksbank-Pacific-Invest” received the internationally renowned Lipper Award for the tenth time and Volksbank Investments received the Focus Money Award as the best investment company in Germany in the category of “overall bond funds” for the second year in a row.

Immo Kapitalanlage AG

Immo Kapitalanlage AG manages an open-ended real estate fund, <immofonds1>. Private investors in particular invest in this fund, which has a broadly diversified real estate portfolio focusing mainly on commercial properties in Austria and Germany. Even in the crisis years, investing in these countries proved highly viable, with economically sustainable rental income. The fund volume is around euro 230 million.

Outlook for the Financial Markets Segment

Group Treasury expects the volatility on the markets to continue on account of the situation in Greece which is characterised by ongoing problems with implementing the required savings measures and weak economic data.

Accordingly, the market environment is likely to remain difficult and a sustained recovery is not anticipated for the second quarter of 2012. The focus again lies on the peripheral states, where sustainable and far-reaching reforms are vital if any relief is to be achieved – particularly in Spain, according to the latest market assessments.

Nevertheless, Group Treasury is cautiously optimistic with regard to the second quarter of 2012 and expects to achieve its sales and earnings targets.

Volksbank Investments expects the economic framework – the high availability of liquidity, low base rate and high level of volatility – to remain unchanged. While the underlying sentiment on the equity and bond markets remains largely positive, the resolutions passed in the Volksbank sector should also lead to a strong market presence.

Immo Kapitalanlage AG expects the positive development of sales to continue in the retail segment, as the trend among investors towards tangible assets and the demand for investment security is still extremely pronounced. The conservative focus of <immofonds 1> on Austria and Germany makes the fund even more attractive.

Reflecting the strategy of focusing on the function as the central institution of the Austrian Volksbank sector, the central task of the entire Financial Markets segment is to service and support the regional Volksbanks in an optimal manner. Financial Markets is confident that it can generate solid results in the current financial year on this basis.

NON-CORE BUSINESS SEGMENT

As a result of VBAG's reorientation and the strategy of discontinuing certain operations, a new organisational and operating structure has been implemented for the former Corporates segment. Since 1 January 2012, the business activities have been broken down into the segments of

- Financing (= core business, presented on pages 7 to 9) and
- Non-core Business

The aim of this restructuring of the segments is to ensure a clear focus on new business opportunities and to facilitate a stringent reduction in the asset side of the balance sheet in order to strengthen VBAG's capital ratios in the long term.

The primary objective of the Non-core Business segment is a focused, active reduction in the lending portfolio of the former Corporate Finance and Corporate Banking segments with the aim of improving the Bank's RWA and liquidity situation. The segment consists of the Leveraged Finance Austria/CEE/Germany, International Project Finance, Real Estate, Investkredit Investmentbank (IKIB), Volksbank Romania S.A. (VB RO), Volksbank Leasing International Holding GmbH (VBLI), Volksbank Malta Limited, and Investkredit International Bank p.l.c. business areas.

Segment result

The result before taxes in the segment Non-core Business for the first quarter 2012 amounted to euro 55 million. In the comparative figures 2011 VB RO is included with its whole result whereas the result from the measurement at equity in the reporting period is nil. The result of VBI group before deconsolidation (as at 15 February 2012) at the amount of euro 21 million as well as the deconsolidation result with an amount of euro –8 million is included in the result of discontinued operation. In the result of financial investments already realised income from the reduction of credit derivatives is reported.

Leveraged finance Austria/CEE/Germany

The restructuring of the Bank's business model with a regional focus on Austria means that this business area will be discontinued and the existing portfolio will be wound down.

At the Frankfurt branch, the structured corporates and leveraged finance business in Germany is therefore being discontinued, and the final closure of the branch is expected to be completed in 2012. In the first quarter of 2012, the Frankfurt branch disposed more than 10% of its portfolio at a profit.

International Project finance

The regional focus on Austria means that the Bank will no longer pursue this product area. In addition to the active winding down of the existing portfolio, efforts are being made to sell individual transactions on the secondary market. The sub-segment of international school financing is also being discontinued, and the corresponding refinancing agreements have already been terminated.

Investkredit Investmentbank AG (IKIB)

IKIB, a wholly owned subsidiary of Volksbank AG – Investkredit, is responsible for the Mergers & Acquisitions Consulting and Private Equity business areas.

Activities in the M&A business area have been discontinued, while the Private Equity business area is being wound down.

VB-Leasing International Holding GmbH (VBLI)

The sustained moderate upturn on the international lease markets had a positive impact on the results of VB-Leasing International in the first quarter of 2012. New business of almost euro 230 million was generated in the period under review, corresponding to around 9,000 contracts. This meant that VB Leasing International increased its business volume by nearly 2% as against the first quarter of 2011 while the total number of contracts remained largely unchanged.

Future-oriented activities

VB Leasing is focusing on its core business with efficient, automated workflows in order to ensure that it is in touch with the latest trends in terms of product development and communication with its business partners. One major project aimed at ensuring that VB Leasing is at the forefront of developments is the redesign of its website. As well as facilitating contact with potential clients, this will provide existing customers and partners with a professional information platform. In addition, the online sales platform that has existed for a number of years has been rebranded as the "VB Leasing Store", thereby ensuring uniform Group-wide marketing that is already successfully active.

High-quality, rapid processes and a substantial degree of automation will help to optimise the bulk business that accounts for the vast majority of VB Leasing's business. VB Leasing specialises in moveable goods leases and, in line with its risk policy, focuses on small and medium-sized enterprises (SMEs) and private customers. A wide range of service packages and supplementary products, such as insurance, rounds out the product range for the financing of movable assets. Sales activities are concentrated on international and local vendor partnerships.

Volksbank Romania S.A.

In a difficult market environment, VB Romania ended the first quarter of 2012 with significantly better results than expected. The profit before tax amounted to approximately euro –7 million. Primarily a greater loss was expected. In particular, non-performing loans were reduced to a greater extent than had been forecast, meaning that the increase in the risk provisions demanded by the regulator was substantially lower than planned. As a result, the equity ratio amounted to 19.9% at the end of 2012, around double the local minimum standard.

Real Estate

The Real Estate business area encompasses the commercial real estate loan financing operations of Volksbank AG – Investkredit, the corresponding work-out activities of REWO Holding GmbH and the real estate lease financing and asset management operations of VB Real Estate Services GmbH. In addition to customers in Austria, the business area provides services to real estate partners in CEE and SEE.

Following the reorientation of VBAG Group that was resolved in autumn 2011, the Real Estate Business unit no longer forms part of VBAG's core business with the exception of Immo KAG. Accordingly, new business activities have been discontinued in full and the current focus is on scaling back the portfolio or holding portfolio assets to maturity while ensuring their value is maintained.

Real estate loan financing at Volksbank AG – Investkredit

In the Real Estate Financing segment, Volksbank AG – Investkredit has been involved in the long-term financing of commercial real estate projects (office buildings, retail properties, logistics real estate and hotels) in Austria and CEE countries for many years. Geographically, the focus in this area is on Austria with a share of approximately 31%, followed by the Czech Republic with approximately 16% and Poland with approximately 13%.

As part of the reorientation of VBAG Group, the portfolio and the associated processes were reviewed in order to ensure a medium-term reduction that minimises the impact on earnings. In the first quarter of 2012, active measures to scale back the portfolio meant that loans amounting to around euro 150 million were prepaid.

Leasing and Asset Management

In line with the strategy of portfolio reduction, the real estate leasing business field has achieved the early disposal of a number of small projects with a present value of around euro 4.3 million since the start of the year, and sales processes are currently underway for other projects.

The sales activities include the implementation of the sales agreement for the shares in Selini Holding GmbH, and hence the 40% stake in the "Vremena Goda" shopping centre in Moscow, that was concluded in December 2011. The conditions precedent for the sale were fulfilled, allowing the transaction to be closed in April 2012.

The restructuring of the foreign branches in Hungary, Slovakia and Poland is currently in the implementation phase.

Outlook Non-core Business Segment

The restructuring agreement foresees that part of the portfolio will be sold to DZ-Bank in the first half of 2012. This will lead to a decrease of risk weighted assets at Investkredit Bank AG in the amount of euro 400 million. For the remainder of the portfolio a transfer at market price will be attempted.

In future, VB-Leasing International will focus to a greater extent on existing and potential partnerships with manufacturers and dealers, thereby further expanding its Group-wide network of sales partners. Permanent investment in the stability of the Group has proven its worth in the past, and measures aimed at contributing to this process will continue to be taken. In 2012, activities will concentrate on strengthening the network through Group-wide partnerships and optimising the service range for these partners. The objective is to perform a pioneering role in the field of rapid, efficient and service-oriented customer communications and customer care in the CEE region in the long term.

The focus of the board of directors of VB RO will be on the further improvement of problem loans. The bank expects that the solvability ratio will increase to above 20% in the second quarter. VB RO expects a single digit million loss in 2012.

The plan for 2012 is to reduce the loan portfolio in the area of real estate finance and to align its risk content towards capital relief. A greater focus will also be placed on the workout unit for impaired real estate financing, REWO Holding GmbH, where sales activities are to be intensified.

Activities in the area of real estate leasing will focus on the management of the existing portfolio and customer care. The maturity of existing contracts is expected to lead to a reduction in the leasing volume of around euro 53 million. Despite the challenging economic conditions, VB Real Estate Services GmbH intends to sell further portfolio properties and implement additional redimensioning measures.

INVESTMENT BOOK/OTHER OPERATIONS SEGMENT

All activities relating to VBAG Group's investment book are organised centrally and reported in the Investment Book/Other Operations segment. The segment consists basically of VBAG's capital markets and asset liability management. Furthermore, the Investment Book/Other Operations segment also includes VB Services für Banken GmbH and various holding companies.

Capital Markets

Within VBAG Group, Capital Markets is responsible for managing the strategic investment book which contains the entire securities portfolio of around euro 4.9 billion that is required for regulatory purposes and banking operations, as well as other capital market investments totalling around euro 1.3 billion.

In the first quarter, the investment book was reduced by around euro 0.8 billion through both sales and redemptions as part of the Group's reorganisation around its function as the central institution of the Austrian Volksbanks The debt restructuring in mid-March led to the elimination almost completely of the Greek exposure. Having been impaired to fair value in the previous year, no further impairments were required to be recognised.

Asset Liability Management (ALM)

Interest rate risk

Asset Liability Management is responsible for the result of the long-term interest rate risk of VBAG Group. Transfer prices are used when taking over market risk from front office areas.

The aim of interest rate risk management is to record interest rate risks from assets, liabilities and off-balance sheet items in the investment book. In order to achieve this, it is necessary to analyse both the income effect and the present value effect of changes in interest rates and take these into account when making decisions.

The market risk controlling department measures and monitors interest rate risk using different limits. The overall limit is determined by the Board of Management, taking into account regulatory limits and the Bank's risk-bearing capacity.

Risk measurement covers all the main forms of interest rate risk. All of VBAG Group's interest-sensitive items are included in a monthly report.

ALM is responsible for heading the Asset Liability Committee (ALCO), the coordination body for managing ALM processes, which is convened on a quarterly basis. ALM prepares the relevant data and the necessary analyses for the decisions taken at the meetings of this committee.

Foreign currency risk

Foreign currency risk is defined as the risk of losses resulting from open foreign currency positions. VBAG Group has material participations outside the euro area, with equity held in the respective local currency. Accordingly, movements of the exchange rates are hedged in order to prevent fluctuations in the Group's consolidated capital. However, the sale of Volksbank International AG has significantly reduced the Group's participations outside the euro area.

Various approaches can be taken to hedging foreign currency risk. VBAG Group's hedging strategy aims to immunise the capital held in local currency by entering into corresponding offsetting positions on a consolidated basis.

Foreign currency risk is also managed at the quarterly ALCO meetings.

Liquidity management

At 31 March 2012, the liquidity buffer held by VBAG Group was in line with forecasts at around euro 2.6 billion. In the first quarter of 2012, the foundations for central liquidity management within the association of Volksbanks were established in conjunction with the regional Volksbanks. The close cooperation with the Volksbanks and the covered bond programme that is currently being initiated will serve to further strengthen the liquidity buffer. With the very good liquidity position and the adequate liquidity buffer, the Group is fulfilling its responsibility as the lender of last resort for the Austrian Volksbank sector.

Outlook for the Investment Book/Other Operations Segment

Capital markets activities over the coming months will focus on further reducing portfolios that are not required for regulatory purposes.

VBAG's liquidity management team will perform central controlling functions for the Volksbanks from 1 July 2012 on the basis of the new association of Volksbanks. This means that the cooperative banks can concentrate on their strengths (customer business, primary deposits), while the central institution will ensure the long-term provision of liquidity, an adequate liquidity buffer for short-term requirements and adherence to the regulatory ratios. The aim is to reduce the liquidity costs of the entire Volksbank sector by optimising maturities and diversifying the sources of refinancing.

Income statement

	1-3/2012 Euro thousand	1-3/2011 Euro thousand	Changes Euro thousand	%
Interest receivable and similar income	280,725	371,417	–90,692	–24.42%
Interest payable and similar expense	–224,733	–254,855	30,122	–11.82%
Income from companies measured at equity	58	–149	208	–138.86%
Net interest income	56,050	116,413	–60,363	–51.85%
Risk provisions	–22,162	–45,366	23,204	–51.15%
Fee and commission income	28,590	40,396	–11,806	–29.23%
Fee and commission expenses	–8,289	–14,913	6,623	–44.41%
Net fee and commission income	20,301	25,484	–5,183	–20.34%
Net trading income	8,485	4,823	3,663	75.96%
General administrative expenses	–65,500	–88,663	23,163	–26.12%
Other operating result	–6,222	8,300	–14,522	–174.96%
Income from financial investments	35,325	26,293	9,033	34.35%
Income from discontinued operation	12,634	11,906	727	6.11%
Result for the period before taxes	**38,912**	**59,189**	**–20,277**	**–34.26%**
Income taxes	–2,823	–2,695	–128	4.75%
Income taxes from discontinued operation	–2,051	–2,434	383	–15.73%
Result for the period after taxes	**34,037**	**54,059**	**–20,022**	**–37.04%**
Result attributable to shareholders of the parent company (Consolidated net result)	**22,159**	**50,177**	**–28,018**	**–55.84%**
thereof from continued operation	11,576	40,705	–29,129	–71.56%
thereof from discontinued operation	10,582	9,472	1,110	11.72%
Result attributable to non-controlling interest	11,878	3,882	7,996	>200.00%
thereof from continued operation	3,780	141	3,639	>200.00%
thereof from discontinued operation	8,099	3,741	4,358	116.48%

Comprehensive income	1-3/2012 Euro thousand	1-3/2011 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**34,037**	**54,059**	**–20,022**	**–37.04%**
Other comprehensive income				
Currency reserve	21,833	34,566	–12,733	–36.84%
Available for sale reserve (including deferred taxes)				
Change in fair value	71,512	40,749	30,763	75.50%
Net amount transferred to profit or loss	3,338	–536	3,874	<–200.00%
Hedging reserve (including deferred taxes)				
Change in fair value (effective hedge)	–1,869	10,601	–12,470	–117.63%
Net amount transferred to profit or loss	380	4,599	–4,220	–91.75%
Other comprehensive income total	**95,193**	**89,978**	**5,215**	**5.80%**
Comprehensive income	**129,230**	**144,037**	**–14,807**	**–10.28%**
Comprehensive income attributable to shareholders of the parent company	**111,638**	**116,091**	**–4,453**	**–3.84%**
thereof from continued operation	81,702	94,101	–12,399	–13.18%
thereof from discontinued operation	29,936	21,990	7,946	36.13%
Comprehensive income attributable to non-controlling interest	17,592	27,946	–10,354	–37.05%
thereof from continued operation	6,872	11,170	–4,297	–38.47%
thereof from discontinued operation	10,720	16,777	–6,057	–36.10%

The comperative figures 2011 have been adapted accoring to IAS 8 (see note 1)

Statement of financial position

	31 Mar 2012 Euro thousand	31 Dec 2011 Euro thousand	Changes Euro thousand	%
Assets				
Liquid funds	954,896	430,943	523,953	121.58%
Loans and advances to credit institutions (gross)	7,847,708	7,964,310	–116,602	–1.46%
Loans and advances to customers (gross)	12,206,361	12,717,062	–510,701	–4.02%
Risk provisions (–)	–958,803	–945,744	–13,060	1.38%
Trading assets	2,094,978	2,102,213	–7,235	–0.34%
Financial investments	6,320,377	6,795,633	–475,257	–6.99%
Assets for operating lease	305,111	308,412	–3,301	–1.07%
Companies measured at equity	13,152	12,606	547	4.34%
Participations	562,792	579,583	–16,791	–2.90%
Intangible assets	13,189	13,778	–588	–4.27%
Tangible fixed assets	126,567	127,751	–1,184	–0.93%
Tax assets	114,069	133,985	–19,916	–14.86%
Current taxes	21,123	22,870	–1,746	–7.64%
Deferred taxes	92,946	111,116	–18,170	–16.35%
Other assets	1,960,807	2,019,055	–58,248	–2.88%
Assets of the disposal group	65,288	8,874,996	–8,809,708	–99.26%
TOTAL ASSETS	**31,626,492**	**41,134,582**	**–9,508,090**	**–23.11%**
Liabilities and Equity				
Amounts owed to credit institutions	11,073,095	11,649,751	–576,656	–4.95%
Amounts owed to customers	2,798,591	2,712,738	85,853	3.16%
Debts evidenced by certificates	11,859,722	13,452,120	–1,592,398	–11.84%
Trading liabilities	1,650,913	1,631,437	19,476	1.19%
Provisions	189,141	190,310	–1,169	–0.61%
Tax liabilities	89,703	83,693	6,010	7.18%
Current taxes	13,178	9,315	3,863	41.47%
Deferred taxes	76,525	74,378	2,148	2.89%
Other liabilities	1,799,105	1,927,828	–128,724	–6.68%
Liabilities of the disposal group	74,127	7,281,880	–7,207,753	–98.98%
Subordinated liabilities	1,699,981	1,728,658	–28,677	–1.66%
Equity	392,115	476,167	–84,052	–17.65%
Shareholders' equity	192,049	80,425	111,624	138.79%
Non-controlling interest	200,066	395,742	–195,676	–49.45%
TOTAL LIABILITIES AND EQUITY	**31,626,492**	**41,134,582**	**–9,508,090**	**–23.11%**

Changes in the Group's equity

					IAS 39 3) valuation reserves				
Euro thousand	Subscribed capital 1)	Capital reserve	Retained earnings	Currency reserve	Available for sale reserve	Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 Jan 2011	**1,339,193**	**0**	**–29,106**	**–45,219**	**–158,893**	**2,785**	**1,108,761**	**865,415**	**1,974,175**
Consolidated net income 2)			50,177				50,177	3,882	54,059
Currency reserve				17,844			17,844	16,721	34,566
Available for sale reserve (including deferred taxes)					40,422		40,422	–209	40,212
Hedging reserve (including deferred taxes)						7,648	7,648	7,552	15,200
Comprehensive income	0	0	50,177	17,844	40,422	7,648	116,091	27,946	144,037
Change in treasury stocks	–49		–39				–88		–88
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			162				162	–148,298	–148,136
As at 31 March 2011 4)	**1,339,143**	**0**	**21,194**	**–27,375**	**–118,471**	**10,433**	**1,224,925**	**745,063**	**1,969,989**
As at 1 Jan 2012	**1,338,838**	**0**	**–1,002,116**	**–14,206**	**–243,924**	**1,833**	**80,425**	**395,742**	**476,167**
Consolidated net income 2)			22,159				22,159	11,878	34,037
Currency reserve				18,725			18,725	3,108	21,833
Available for sale reserve (including deferred taxes)					71,832		71,832	3,017	74,850
Hedging reserve (including deferred taxes)						–1,078	–1,078	–412	–1,490
Comprehensive income	0	0	22,159	18,725	71,832	–1,078	111,638	17,592	129,230
Dividends paid							0	–1,089	–1,089
Change in treasury stocks	–57						–57		–57
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			43				43	–212,180	–212,137
As at 31 March 2012 4)	**1,338,780**	**0**	**–979,914**	**4,519**	**–172,091**	**755**	**192,049**	**200,066**	**392,115**

1) Subscribed capital as at 1 Jan 2012 and as at 31 Mar 2012 does not correspond to the figures reported in the financial statements of Österreichische Volksbanken-Aktiengesellschaft. In the separate financial statements of VBAG the capital measures (capital reduction and increase) were included as at 31 December 2011. According to IFRS these measures can only be included in the consolidated financial statements after full legal effect.

2) Currency translation differences amounting to euro 86 thousand (1-3/2011: euro –87 thousand) for shareholders' equity and euro 87 thousand (1-3/2011: euro –86 thousand) for non-controlling interest resulted from the application of average rates of exchange in the income statement.

3) As at 31 March 2012, the available for sale reserve included deferred taxes of euro 38,599 thousand (31 March 2011: euro 47,402 thousand).
The hedging reserve contains deferred taxes in the amount of euro –380 thousand at the balance sheet date (31 March 2011: euro –3,697 thousand).

4) In the figures as at 31 March 2012 the disposal group Selini accounted for an amount of euro 421 thousand in the currency reserve.
In the figures as at 31 March 2011 the disposal group Banks CEE accounted for an amount of euro –2,361 thousand in the currency reserve, for an amount of euro –1,286 thousand in the available for sale reserve an for an amount of euro 9,245 thousand in the hedging reserve. At the same time the disposal group Selini accounted for an amount of euro –444 thousand in the currency reserve.

Cash flow statement

Euro thousand	1-3/2012	1-3/2011
Cash and cash equivalents at the end of the previous period (= liquid funds)	1,256,936	2,221,741
Cash flow from operating activities	–588,459	202,712
Cash flow from investing activities	394,942	51,173
Cash flow from financing activities	–108,522	-14,590
Cash and cash equivalents at the end of period (= liquid funds)	954,896	2,461,035

NOTES

Interim Financial Statement as at 31 March 2012

1) General

The interim report as at 31 March 2012 of Österreichische Volksbanken-Aktiengesellschaft (VBAG) has been prepared in accordance with all IFRS/IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee respectively as adopted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2011. In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2011.

In the third quarter 2011 the management of VBAG decided due to the actual development of interpretations of accounting standards and the volatility on capital and financial markets to recognise instruments which where so far classified as financial guarantees with their market value through profit or loss. In income statement the change in market value is recognised in income from financial investments (1-3/2011: euro 18,572 thousand). Furthermore the disclosure of credit linked notes whose market values are linked to baskets of various country risks was changed. These instruments which were so far classified as available for sale financial instruments are now recognised as financial instruments at fair value through profit or loss. Accordingly changes in fair value are recognised in income statement in the position income from financial investments (1-3/2011: euro 35 thousand) and no any longer in the available for sale reserve. Deferred taxes were also reclassified from the available for sale reserve to income statement (1-3/2011: euro –9 thousand). According to IAS 8 comparative figures have been restated due to the changes in accounting policy.

There were no events or changes in circumstance for goodwill that would indicate an impairment, therefore no impairment test was carried out.

These condensed consolidated interim financial statements have not been audited or reviewed.

The interim consolidated financial statements have been drawn up in euro as this is the Group's functional currency. All figures are indicated in thousands of euros, unless specified otherwise. The following tables may contain rounding differences.

2) Changes in the Group structure

As at 8 September 2011 the contract of sale of VBI to the Russian Sberbank was signed. The sale was concluded with various conditions precedent, which must be fulfilled by the time the deal is closed. The closing took place as at 15 February 2012. The purchase price for 100% of shares consists of a fixed amount of euro 585 million reduced by an amount of euro 80 million as a take over of losses for the fourth quarter 2011 as well as a variable component based on the changes of equity of VBI group for the first three quarters of 2011. VB RO is not included in this transaction. Starting with 8 September 2011, VBI group is shown as a disposal group or discontinued operation as the VBI group represents a major line of business of the Group. The comparative figures in the income statement were restated accordingly. The result of deconsolidation is shown in the result from discontinued operation.

Calculation of deconsolidation result Banks CEE

Euro thousand	
Assets proportional	4,760,447
Liabilities proportional	4,510,749
Currency reserve proportional	–12,367
Available for sale reserve proportional	–3,433
Hedging reserve proportional	–76
Disposal of net assets proportional	**–265,574**
Revenues proportional	257,551
Deconsolidation result	**–8,024**

Profit and loss of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012	1-3/2011
Net interest income	24,137	68,487
Risk provisions	6,399	–21,006
Net fee and commission income	5,412	17,623
Net trading income	627	632
General administrative expenses	–17,344	–53,473
Other operating result	–10,414	–4,224
thereof deconsolidation result	–8,024	0
Income from financial investments	3,690	779
Result for the period before taxes	**12,507**	**8,818**
thereof consolidation	2,203	1,680
Income taxes	–2,051	–3,111
Result for the period after taxes	**10,455**	**5,707**
Profit attributable to shareholders of the parent company	**2,357**	**1,966**
Profit attributable to non-controlling interest	8,099	3,741

Assets of disposal group Banks CEE

Euro thousand	31 Dec 2011
Liquid funds	825,992
Loans and advances to credit institutions (gross)	591,255
Loans and advances to customers (gross)	6,863,031
Risk provisions (–)	–375,661
Trading assets	9,766
Financial investments	668,908
Assets for operating lease (including investment property)	20,135
Participations	3,699
Intangible assets	41,706
Tangible fixed assets	88,920
Tax assets	13,991
Other assets	55,423
Assets	**8,807,166**
thereof consolidation	–1,298,362

Liabilities of disposal group Banks CEE

Euro thousand	31 Dec 2011
Amounts owed to credit institutions	2,077,630
Amounts owed to customers	4,689,536
Debts evidenced by certificates	239,487
Trading liabilities	1,185
Provisions	13,634
Tax liabilities	5,722
Other liabilities	111,480
Subordinated liabilities	66,735
Liabilities	**7,205,410**
thereof consolidation	–2,519,567

Cash flow of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012	1-3/2011
Cash and cash equivalents at the end of previous period (= liquid funds)	825,992	**749,659**
Cash flow from operating activities	–168,633	1,239
Cash flow from investing activities	9,774	8,957
Cash flow from financing activities	802	–12,988
Cash and cash equivalents at the end of period (= liquid funds)	667,936	**746,867**

Number of staff which was employed in disposal group Banks CEE

	Average number of staff		Number of staff at reporting date	
	1-3/2012	1-3/2011	31 Mar 2012	31 Dec 2011
Domestic	39	62	0	72
Foreign	2,049	3,899	0	4,086
Total number of staff	**2,088**	**3,961**	**0**	**4,158**

The average number of staff was calculated for the whole first quarter of 2012, which means 3 months, resulting in a decrease in comparison to 1-3/2011.

As at 22 December 2011 the contract of sale of shares in Selini Holding GmbH was signed. Closing took place as at 12 April 2012. The sale was concluded with various conditions precedent, which had to be fulfilled by the time the deal was closed. The purchase price consists of a base price which represents the proportional value of investment property as well as adjustments for other assets and liabilites in Selini Holding GmbH itself and the holdings in between. Starting with 22 December 2011 Selini Holding GmbH and Trastona Holding Ltd. which is measured at equity are shown as disposal group or discontinued operation, as they represent a major line of business of the Group as part of the Europolis group which was deconsolidated at the beginning of 2011. The comparative figures in the income statement were restated accordingly.

Profit and loss of discontinued operation Selini

Euro thousand	1-3/2012	1-3/2011
Net interest income	-640	1,607
Net fee and commission income	0	-27
Net trading income	782	1,893
General administrative expenses	-15	-385
Result for the period before taxes	**127**	**3,088**
Income taxes	0	676
Result for the period after taxes	**127**	**3,765**
Profit attributable to shareholders of the parent company	**127**	**3,765**
Profit attributable to non-controlling interest	0	0

Assets of a disposal group Selini

Euro thousand	31 Mar 2012	31 Dec 2011
Loans and advances to credit institutions	2,701	3,232
Companies measured at equity	56,446	58,457
Other assets	6,141	6,141
Assets	**65,288**	**67,830**

Liabilities of a disposal group Selini

Euro thousand	31 Mar 2012	31 Dec 2011
Amounts owed to credit institutions	62,473	64,469
Amounts owed to customers	11,636	11,984
Other liabilities	18	18
Liabilities	**74,127**	**76,471**

Due to the fact that discontinued operation Selini has no liquid funds and no cash flow from investing and financing activities in the first quarter 2011 and 2012, the cash flow from operating activities is also zero.

The disposal group Selini does not employ any staff.

In the course of the sale of VBI the shares of Volksbank Romania S.A. (VB RO) were demerged from VBI to VBI Beteiligungs GmbH (VBI Bet). Shares in VBI Bet are hold by VBAG with 51%, DZ Bank AG/WGZ Bank AG and Banque Populaire Caisse d'Epargne each with 24,5%. In a shareholder agreement the shareholders stipulated a joint control of VB RO. Therefore VBI Bet as well as VB RO and its subsidiary VBRO Services SRL were deconsolidated as at 30 September 2011 and VBI Bet as well as VB RO are measured at equity starting on this date. The result for the period 1 January to 31 March 2011 is shown in the respective positions in income statement. The measurement of equity in the first quarter 2012 is recognised in net interest income in the position income from companies measured at equity.

As at 15 March 2011, a contract concerning the sale of the shares of Bonifraterska Development Sp.zoo (project „North Gate") was concluded. The result of deconsolidation in the amount of euro 9,032 thousand is shown in other operating result. The result of the period 1 January to 15 March 2011 is shown in the respective positions in income statement. In the fourth quarter 2011 a slight adjustment of purchase price occured, for which reason the consolidated financial statements as at 31 December 2011 show a result of deconsolidation of euro 9,761 thousand.

In a contract dated 29 June 2010, the shares in Europolis AG were sold to CA Immo CEE Beteiligungs GmbH and CA Immobilien Anlagen AG. The closing was on 31 December 2010; the right of disposal over the shares was transferred to the buyers at the end of 31 December 2010. Therefore the deconsolidation took place as at 1 January 2011. As the purchase price was fixed in mid 2011, no deconsolidation result is shown in the period 1 January to 31 March 2011. From the second quarter 2011 a deconsolidation result with an amount of euro –3,924 thousand was shown in income from discontinued operation.

3) Subsequent events

The agreed corporate and restructuring actions were concluded in the Annual General Meeting of 26 April 2012. Investkredit is to be merged with VBAG with retroactive effect from 31 December 2011. The planned joint liability scheme modelled on section 30a of the Austrian Banking Act specifies the new orientation of the then merged company. The new institution will focus on its role as central institution. Operations outside this area (non-core business) are to be phased out or sold in accordance with their underlying repayment profile. The approvals of the EU as well as the FMA (Financial Market Authority) for a full legal effect are being expected for the third quarter 2012.

The closing for the selling of Selini GmbH, a participation, which belonged originally to the Europolis Group, took place as at 12 April 2012. Therefore all assets from the business segment of the Europolis Group are sold now.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 31 March 2012.

4) Notes to the income statement

Net interest income

Euro thousand	1-3/2012	1-3/2011
Interest and similar income	280,783	371,268
Interest and similar income from	272,882	360,473
liquid funds	792	3,571
credit and money market transactions with credit institutions	29,900	16,465
credit and money market transactions with customers	131,726	186,179
debt securities	54,208	67,142
derivatives in the investment book	56,255	87,117
Current income from	1,996	5,580
equities and other variable-yield securities	1,341	1,772
other affiliates	97	708
companies measured at equity	58	–149
investments in other companies	500	3,250
Income from operating lease and investment property	5,905	5,215
rental income investment property	3,578	3,696
income from operating lease contracts	2,328	1,519
rental income	8,265	9,697
depreciations	–5,938	–8,179
Interest and similar expenses of	–224,733	–254,855
deposits from credit institutions (including central banks)	–53,943	–54,436
deposits from customers	–28,230	–25,225
debts evidenced by certificates	–119,387	–145,534
subordinated liabilities	–10,997	–12,833
derivatives in the investment book	–12,176	–16,828
Net interest income	56,050	**116,413**

Net interest income according to IAS 39 categories

Euro thousand	1-3/2012	1-3/2011
Interest and similar income	280,783	371,268
Interest and similar income from	272,882	360,473
financial investments at fair value through profit or loss	2,523	5,600
derivatives in the investment book	56,255	87,117
financial investments not at fair value through profit or loss	214,104	267,755
financial investments available for sale	33,352	34,637
financial investments at amortised cost	169,215	214,803
of which financial lease	49,065	49,569
financial investments held to maturity	11,537	18,316
Current income from	1,996	5,580
financial investments at fair value through profit or loss	0	512
financial investments available for sale	1,938	5,217
companies measured at equity	58	–149
Operating lease operations (including investment property)	5,905	5,215
Interest and similar expenses of	–224,733	–254,855
derivatives in the investment book	–12,176	–16,828
financial investments at amortised cost	–212,557	–238,028
Net interest income	**56,050**	**116,413**

Risk provisions

Euro thousand	1-3/2012	1-3/2011
Allocation to risk provisions	–56,000	–100,876
Release of risk provisions	35,841	56,727
Allocation to provisions for risks	–972	–535
Release of provisions for risks	875	125
Direct write-offs of loans and advances	–1,966	–880
Income from loans and advances previously written off	60	73
Risk provisions	**–22,162**	**–45,366**

Net fee and commission income

Euro thousand	1-3/2012	1-3/2011
Fee and commission income from	28,590	40,396
lending operations	9,667	12,338
securities businesses	12,272	15,158
payment transactions	1,331	1,979
foreign exchange, foreign notes and coins transactions	0	4,582
other banking services	5,320	6,339
Fee and commission expenses from	–8,289	–14,913
lending operations	–4,784	–7,895
securities businesses	–3,069	–3,251
payment transactions	–229	–386
foreign exchange, foreign notes and coins transactions	0	–2,873
other banking services	–208	–509
Net fee and commission income	**20,301**	**25,484**

Net fee comission income does not include any income or expenses from financial investments designated at fair value through profit or loss.

Net trading income

Euro thousand	1-3/2012	1-3/2011
Equity related transactions	1,013	1,249
Exchange rate related transactions	2,607	–13,168
Interest rate related transactions	4,866	16,741
Net trading income	8,485	**4,823**

General administrative expenses

Euro thousand	1-3/2012	1-3/2011
Staff expenses	–33,571	–47,600
Other administrative expenses	–29,006	–36,845
Depreciation of fixed tangible and intangible assets	–2,923	–4,218
General administrative expenses	–65,500	**–88,663**

Other operating result

Other operating result includes deconsolidation result of affiliates, impairment of goodwill, banking tax as well as other operating income and expenses.

Deconsolidation result of the disposal of VBI and its affiliates is shown in the result of discontinued operation. The result of the deconsolidation of Bonifraterska was euro 9,032 thousand in the first quarter 2011.

Income from financial investments

Euro thousand	1-3/2012	1-3/2011
Result from financial investments at fair value through profit or loss	1,303	**1,604**
Result from fair value hedges	15,807	**0**
Result from revaluation of underlying instruments	–22,663	185,967
Result from revaluation derivatives	38,469	–185,967
Result from valuation of other derivatives in the investment book	–5,460	**20,680**
Exchange rate related transactions	1,497	–625
Interest rate related transactions	–32,827	10,288
Credit related transactions	33,152	9,893
Other transactions	–7,282	1,124
Result from available for sale financial investments (including participations)	18,193	**272**
Realised gains/losses	18,291	274
Impairments	–98	–2
Result from loans & receivables financial investments	4,113	**837**
Realised gains/losses	4,225	865
Income from revaluation	20	0
Impairments	–132	–28
Result from held to maturity financial investments	1,207	**2,585**
Realised gains/losses	1,207	2,588
Impairments	0	–3
Result from assets for operating lease and investment property assets as well as other financial investments	163	**314**
Realised gains/losses	198	314
Change in value investment properties	–35	0
Result from financial investments	35,325	**26,293**

The result of the disposal of VICTORIA Volksbanken insurance companies is shown in the realised gains of available for sale financial investments. The closing took place as at 16 February 2012.

In first quarter 2012, an amount of euro -3,338 thousand (1-3/2011: euro 536 thousand) previously recognised in the available for sale reserve was reclassified and shown in income statement.

Euro thousand	1-3/2012	1-3/2011
Result from financial investments, which are measured at fair value through profit and loss	**11,615**	**22,283**
Financial instruments at fair value through profit or loss	1,303	1,604
Fair value hedges	15,807	0
Other derivatives in investment book	–5,460	20,680
Investment property assets	–35	0
Result from financial investments, which are not measured at fair value through profit and loss	**23,710**	**4,009**
Realised gains/losses	23,920	4,042
Available for sale financial investments	18,291	274
Loans & receivables financial investments	4,225	865
Held to maturity financial investments	1,207	2,588
Operating lease assets and other financial investments	198	314
Income from revaluation	20	0
Loans & receivables financial investments	20	0
Impairments	–230	–33
Available for sale financial investments	–98	–2
Loans & receivables financial investments	–132	–28
Held to maturity financial investments	0	–3
Income from financial investments	**35,325**	**26,293**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	31 Mar 2012	31 Dec 2011
Loans and advances to credit institutions	7,847,708	7,964,310
Loans and advances to customers	12,206,361	12,717,062
Loans and advances to credit institutions and customers	**20,054,069**	**20,681,372**

Loans and advances to credit institutions and customers are measured at amortised cost.

Risk provisions Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio based allowance	Total	of which disposal group
As at 1 Jan 2011	872	1,470,404	56,880	1,528,155	265,653
Changes in the scope of consolidation	0	–5,623	0	–5,623	–5,623
Currency translation	0	–7,124	–149	–7,273	163
Reclassification	0	2,214	–51	2,163	0
Unwinding	0	–3,096	0	–3,096	–3,096
Utilisation	0	–48,623	0	–48,623	–13,770
Release	0	–69,166	–2,800	–71,966	–15,239
Addition	0	134,903	2,193	137,095	36,220
As at 31 Mar 2011	872	1,473,888	56,072	1,530,832	264,308
As at 1 Jan 2012	**703**	**1,261,444**	**59,258**	**1,321,405**	**375,661**
Changes in the scope of consolidation	0	–352,056	–14,440	–366,495	–366,495
Currency translation	0	15,436	522	15,958	7,429
Reclassification	0	–459	459	0	0
Unwinding	0	–963	0	–963	–963
Utilisation	0	–24,981	0	–24,981	–9,352
Release	0	–50,989	–1,576	–52,565	–16,725
Addition	0	64,889	1,546	66,445	10,445
As at 31 Mar 2012	**703**	**912,332**	**45,769**	**958,803**	**0**

The additions include an amount of euro 2,745 thousand (1-3/2011: euro 14,775 thousand), which is caused by allocation due to interest past-due. Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 417,347 thousand (31 Dec 2011: euro 358,949 thousand).

Trading assets

Euro thousand	31 Mar 2012	31 Dec 2011
Debt securities	285,524	286,359
Equity and other variable-yield securities	32,804	32,697
Positive fair value from derivatives	1,776,650	1,801,156
exchange rate related transactions	28,732	45,424
interest rate related transactions	1,747,919	1,755,732
Trading assets	**2,094,978**	**2,102,213**

Financial investments

Euro thousand	31 Mar 2012	31 Dec 2011
Financial investments at fair value through profit or loss	388,374	495,578
Debt securities	311,524	419,614
Equity and other variable-yield securities	76,851	75,964
Financial investments available for sale	3,392,667	3,467,590
Debt securities	3,284,138	3,348,293
Equity and other variable-yield securities	108,529	119,297
Financial investments loans & receivables	1,309,197	1,456,567
Financial investments held to maturity	1,230,138	1,375,899
Financial investments	**6,320,377**	**6,795,633**

Reclassification from available for sale to loans & receivables

In accordance with the amendments to IAS 39 and IFRS 7, available for sale financial investments were reclassified to the loans & receivables category in 2008. On initial recognition, these securities met the definition for the loans & receivables category but were instead designated as available for sale. The reclassification to the loans & receivables category was performed with retrospective effect from 1 July 2008. The fair value at the reclassification date was applied as the new carrying amount of these securities.

Euro thousand	31 Mar 2012	31 Dec 2011	1 Jul 2008
Carrying amount	542,762	599,185	1,140,363
Fair value	500,391	543,225	1,140,363
Available for sale reserve with reclassification	–38,291	–40,663	–79,177
Available for sale reserve without reclassification	–75,822	–88,891	–79,177

The amounts of the available for sale reserve take deferred taxes into account. The reclassification did not have any effect on the income statement.

Participations

Euro thousand	31 Mar 2012	31 Dec 2011
Investments in unconsolidated affiliates	436,659	437,236
Participating interests	71,182	91,978
Investments in other companies	54,951	50,369
Participations	**562,792**	**579,583**

All investments and participations which are not listed are measured at acquisition costs, as their fair value cannot be determined without an unreasonable amount of effort. One of the Group's participations is listed on the stock exchange and is measured at fair value.

Other assets

Euro thousand	31 Mar 2012	31 Dec 2011
Deferred items	16,486	11,138
Other receivables and assets	636,228	456,519
Positive fair value from derivatives in the investment book	1,308,094	1,551,398
Other assets	**1,960,807**	**2,019,055**

Amounts owed to credit institutions

Euro thousand	31 Mar 2012	31 Dec 2011
Central banks	300,000	652,075
Other credit institutions	10,773,095	10,997,676
Amounts owed to credit institutions	**11,073,095**	**11,649,751**

The amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	31 Mar 2012	31 Dec 2011
Savings deposits	198	198
Other deposits	2,798,393	2,712,540
Amounts owed to customers	**2,798,591**	**2,712,738**

The amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	31 Mar 2012	31 Dec 2011
Debts evidenced by certificates	**11,859,722**	**13,452,120**

In debts evidenced by certificates only bonds are included and they are measured at amortised cost.

Trading liabilities

Euro thousand	31 Mar 2012	31 Dec 2011
Negative fair value from derivatives		
exchange rate related transactions	24,554	36,828
interest rate related transactions	1,626,358	1,594,609
Trading liabilities	**1,650,913**	**1,631,437**

Other liabilities

Euro thousand	31 Mar 2012	31 Dec 2011
Deferred items	27,240	19,714
Other liabilities	672,196	540,009
Negative fair value from derivatives in the investment book	1,099,669	1,368,106
Other liabilities	**1,799,105**	**1,927,828**

Subordinated liabilities

Euro thousand	31 Mar 2012	31 Dec 2011
Subordinated liabilities	818,130	844,523
Supplementary capital	881,851	884,135
Subordinated liabilities	**1,699,981**	**1,728,658**

Subordinated liabilities are measured at amortised cost.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 300,000 thousand (31 December 2011: euro 300,000 thousand).

6) Own funds

The own funds of the VBAG Group of credit institutions which were calculated pursuant to the Austrian Banking Act can be broken down as follows (the amounts include the disposal group):

Euro thousand	31 Mar 2012	31 Dec 2011
Subscribed capital (less treasury stocks)	1,031,159	1,031,217
Open reserves (including differential amounts and non-controlling interests)	1,186,919	1,833,768
Funds for general banking risks	10,524	10,667
Intangible assets	–15,873	–40,207
Net loss	–9,697	–484,287
Core capital (tier I capital) before deductions	2,203,032	2,351,158
Deductions from core capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–42,975	–46,119
Core capital (tier I capital) after deductions	2,160,057	2,305,040
Supplementary capital	220,774	220,573
Eligible subordinated liabilities	682,121	648,281
Hidden reserves pursuant to section 57 (1) Austrian Banking Act	39,116	39,064
IRB risk provison surplus	60,130	62,684
Supplementary capital (tier II capital) before deductions	1,002,141	970,602
Deductions from supplementary capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–42,975	–46,119
Supplementary capital (tier II capital) after deductions	959,166	924,483
Deductions from own funds pursuant to section 103e no. 13 Austrian Banking Act	–3,519	–24,297
Short-term subordinated liabilities (tier III capital)	116,863	120,866
Eligible qualifying capital	3,232,567	**3,326,092**
Capital requirement	1,559,475	2,100,985
Surplus capital	1,673,092	1,225,107

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	12.81%	10.05%
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	17.92%	13.34%
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	11.08%	8.78%
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	16.58%	12.66%

The capital measures (capital reduction and increase) agreed in the Annual General Meeting as at 26 April 2012 are included in the own funds calculated pursuant to the Austrian Banking Act. According to IFRS these measures can only be included in the consolidated financial statements after full legal effect.

Open reserves include the hybrid tier I capital totalling euro 300,000 thousand (31 December 2011: euro 300,000 thousand).

The risk-weighted assessment base as defined in the Austrian Banking Act and the ensuing equity requirement show the following changes:

Euro thousand	31 Mar 2012	31 Dec 2011
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	16,866,875	22,946,850
Of which 8% minimum capital requirement for credit risk	1,349,350	1,835,748
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities - market risk	116,863	120,866
Capital requirement for operational risk	93,262	144,371
Total capital requirement	1,559,475	**2,100,985**

In accordance with IFRS reporting, the scope of consolidation differs from the group of consolidated companies under the Austrian Banking Act as the IFRS provides for the inclusion of other entities not belonging to the banking sector. According to the Austrian Banking Act, credit institutions, financial institutions and subsidiaries providing banking-related auxiliary services that are under the control of the parent or where the Group helds a majority of shares either direct or indirect, are fully consolidated. Therefore VB RO and VBI Bet GmbH are still included in the group of credit institutions and are fully consolidated for the purpose of calculation of own resources and capital requirements. Since the closing date as at 15 February 2012 the companies of the VBI group are no more part of the VBAG Group of credit institutions. The carrying amount of financial institutions that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to section 24 (3a) of the Austrian Banking Act is deducted from own funds. Subsidiaries providing banking-related auxiliary services that are controlled by the parent but that are not consolidated in accordance with section 24 (3a) of the Austrian Banking Act are included in the assessment base at their carrying amounts. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in credit and financial institutions with a share of between 10% and 50% that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in credit and financial institutions of less than 10% are deducted from own funds only if the exemption threshold is exceeded. All other participating interests are included in the assessment base at their carrying amounts.

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

In the first quarter of 2012, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

7) Financial assets and liabilities

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

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount – total	Fair value
31 Mar 2012							
Liquid funds	0	0	0	0	954,896	954,896	954,896
Loans and advances to credit institutions	0	0	0	0	7,847,708	7,847,708	7,847,708
Loans and advances to customers	0	0	0	0	12,206,361	12,206,361	11,294,029
Trading assets	2,094,978	0	0	0	0	2,094,978	2,094,978
Financial investments	0	388,374	1,230,138	3,392,667	1,309,197	6,320,377	6,138,541
Participations	0	0	0	562,792	0	562,792	562,792
Derivatives – investment book	1,308,094	0	0	0	0	1,308,094	1,308,094
Financial assets total	**3,403,072**	**388,374**	**1,230,138**	**3,955,459**	**22,318,162**	**31,295,205**	**30,201,038**
Financial assets of the disposal group	0	0	0	0	2,701	2,701	2,701
Amounts owed to credit institutions	0	0	0	0	11,073,095	11,073,095	11,073,095
Amounts owed to customers	0	0	0	0	2,798,591	2,798,591	2,798,591
Debts evidenced by certificates	0	0	0	0	11,859,722	11,859,722	11,590,999
Trading liabilities	1,650,913	0	0	0	0	1,650,913	1,650,913
Derivatives – investment book	1,099,669	0	0	0	0	1,099,669	1,099,669
Subordinated liabilities	0	0	0	0	1,699,981	1,699,981	1,078,790
Financial liabilities total	**2,750,582**	**0**	**0**	**0**	**27,431,389**	**30,181,970**	**29,292,056**
Financial liabilities of the disposal group	0	0	0	0	74,109	74,109	74,109

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount – total	Fair value
31 Dec 2011							
Liquid funds	0	0	0	0	430,943	430,943	430,943
Loans and advances to credit institutions	0	0	0	0	7,964,310	7,964,310	7,963,608
Loans and advances to customers	0	0	0	0	12,717,062	12,717,062	11,817,152
Trading assets	2,102,213	0	0	0	0	2,102,213	2,102,213
Financial investments	0	495,578	1,375,899	3,467,590	1,456,567	6,795,633	6,537,627
Participations	0	0	0	579,583	0	579,583	579,583
Derivatives – investment book	1,551,398	0	0	0	0	1,551,398	1,551,398
Financial assets – total	**3,653,610**	**495,578**	**1,375,899**	**4,047,172**	**22,568,882**	**32,141,142**	**30,982,522**
Financial assets of the disposal group	24,866	10,377	78,011	447,578	8,420,150	8,980,983	8,313,780
Amounts owed to credit institutions	0	0	0	0	11,649,751	11,649,751	11,649,751
Amounts owed to customers	0	0	0	0	2,712,738	2,712,738	2,712,738
Debts evidenced by certificates	0	0	0	0	13,452,120	13,452,120	13,110,818
Trading liabilities	1,631,437	0	0	0	0	1,631,437	1,631,437
Derivatives – investment book	1,368,106	0	0	0	0	1,368,106	1,368,106
Subordinated liabilities	0	0	0	0	1,728,658	1,728,658	1,120,473
Financial liabilities – total	**2,999,543**	**0**	**0**	**0**	**29,543,267**	**32,542,810**	**31,593,324**
Financial liabilities of the disposal group	21,676	20,052	0	0	7,129,790	7,171,517	7,111,776

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

Euro thousand	Level 1	Level 2	Total
31 Mar 2012			
Financial assets			
Trading assets	91,291	2,003,687	2,094,978
Financial investments	3,380,539	400,502	3,781,041
at fair value through profit or loss	197,891	190,483	388,374
available for sale	3,182,648	210,019	3,392,667
Derivatives – investment book	0	1,308,094	1,308,094
Total	**3,471,830**	**3,712,283**	**7,184,113**
Financial liabilities			
Trading liabilities	0	1,650,913	1,650,913
Derivatives – investment book	0	1,099,669	1,099,669
Total	**0**	**2,750,582**	**2,750,582**

Euro thousand	Level 1	Level 2	Total
31 Dec 2011			
Financial assets			
Trading assets	92,003	2,010,210	2,102,213
Financial investments	3,460,652	502,516	3,963,168
at fair value through profit or loss	301,572	194,007	495,578
available for sale	3,159,080	308,509	3,467,590
Derivatives – investment book	0	1,551,398	1,551,398
Total	**3,552,655**	**4,064,124**	**7,616,778**
Financial assets of the disposal group	403,231	75,891	479,123
Financial liabilities			
Trading liabilities	0	1,631,437	1,631,437
Derivatives – investment book	0	1,368,106	1,368,106
Total	**0**	**2,999,543**	**2,999,543**
Financial liabilities of the disposal group	0	41,727	41,727

In 2012 and 2011 there have not been any reclassifications between the levels.

VBAG only uses market data which are from observable markets. If the system delivers prices for inactive traded positions, these prices are checked with prices based on secondary available market data, like credit spreads or transactions which are done on active markets in similar products. If necessary, the prices of the system are adopted.

8) Number of staff

Number of staff employed during the business year, including disposal groups

	Average number of staff		Number of staff at end of period	
	1-3/2012	1-3/2011	31 Mar 2012	31 Dec 2011
Domestic	1,261	1,406	1,203	1,325
Foreign	2,832	6,066	779	4,871
Number of staff - total	4,093	**7,472**	1,982	**6,196**

The number of staff employed in disposal groups is as follows

	Average number of staff		Number of staff at end of period	
	1-3/2012	1-3/2011	31 Mar 2012	31 Dec 2011
Banks CEE disposal group				
Domestic	39	62	0	72
Foreign	2,049	3,899	0	4,086
Number of staff Banks CEE	2,088	3,961	0	4,158

9) Branches

	31 Mar 2012	31 Dec 2011
Domestic	1	1
Foreign	1	296
Total	2	**297**

In the figures as at 31 December 2011, 295 branches of the disposal group Banks CEE are included.

10) Segment reporting

Segment reporting was adjusted in the course of restructuring. The VBAG Group has now four operating segments which correspond to the strategic business segments. The Financing, Financial Markets, and Investment Book/Other Operations segments constitute VBAG's core business. The Non-core Business segment comprises all areas that are to be phased out or sold in accordance with their repayment profile.

Segment Financing consists of the profit centers syndicate business, project finance, housing construction- and model financing as well as the VB Leasing Finanzierung group with domestic movable property leasing and VB Factoring Bank.

The segment Financial Markets remained unchanged except for Immo KAG which is now included in this segment.

The segment Non-core Business comprises the corporate customers profit center, the Investkredit Investmentbank AG as well as VB Malta from the former segment Corporates. Furthermore the whole Real Estate segment as well as the VB Leasing International group, the VBI group and VB Romania from the former Retail segment are included here. Parts of investment book which are to be phased out or sold according to their repayment profile are allocated in this segment.

All other measurements and allocation procedures remain unchanged to the ones described in the annual report 2011.

Segment reporting by business segments

Euro thousand	Financing	Financial Markets	Non-core Business	Investment Book/Other Operations	Consolidation	Total
Net interest income						
1-3/2012	10,164	5,693	67,159	–23,367	–3,600	56,050
1-3/2011	11,900	8,363	111,648	–16,332	834	116,413
Risk provisions						
1-3/2012	–3,916	0	–18,916	670	0	–22,162
1-3/2011	–5,562	0	–42,982	3,179	0	–45,366
Net fee and commission income						
1-3/2012	2,062	9,508	3,621	7,238	–2,129	20,301
1-3/2011	2,152	14,711	7,196	4,575	–3,151	25,484
Net trading income						
1-3/2012	47	9,065	106	–733	0	8,485
1-3/2011	51	17,340	–11,721	–847	0	4,823
General administrative expenses						
1-3/2012	–9,414	–14,990	–33,881	–12,026	4,812	–65,500
1-3/2011	–9,124	–17,914	–47,998	–18,659	5,032	–88,663
Other operating result						
1-3/2012	1,824	70	2,318	–9,149	–1,286	–6,222
1-3/2011	1,781	18	10,506	–2,970	–1,035	8,300
Income from financial investments						
1-3/2012	0	74	24,340	10,912	0	35,325
1-3/2011	0	17	16,644	9,631	0	26,293
Income from discontinued operation						
1-3/2012	0	0	10,431	0	2,203	12,634
1-3/2011	0	0	13,587	0	–1,680	11,906
Result for the period before taxes						
1-3/2012	**768**	**9,421**	**55,178**	**–26,455**	**0**	**38,912**
1-3/2011	**1,199**	**22,535**	**56,880**	**–21,424**	**0**	**59,189**
Income taxes including taxes of discontinued operation						
1-3/2012	–105	–2,070	–12,095	9,396	0	–4,875
1-3/2011	–481	–5,634	–5,260	6,245	0	–5,130
Result for the period after taxes						
1-3/2012	**662**	**7,351**	**43,083**	**–17,060**	**0**	**34,037**
1-3/2011	**718**	**16,901**	**51,620**	**–15,179**	**0**	**54,059**
Total assets						
31 Mar 2012	3,220,723	3,558,899	13,294,827	25,803,068	–14,251,025	31,626,492
31 Dec 2011	3,238,452	3,477,936	23,014,938	26,971,051	–15,567,795	41,134,582
Loans and advances to customers						
31 Mar 2012	3,016,996	193,002	9,036,018	1,537,885	–1,577,540	12,206,361
31 Dec 2011	3,056,845	5,067	9,371,908	1,883,225	–1,599,983	12,717,062
Amounts owed to customers						
31 Mar 2012	412,509	1,795,971	140,760	768,878	–319,527	2,798,591
31 Dec 2011	533,147	1,753,309	157,876	355,121	–86,716	2,712,738
Debts evidenced by certificates including subordinated liabilities						
31 Mar 2012	650,703	6	2,874,713	14,241,212	–4,206,932	13,559,703
31 Dec 2011	474,499	13	3,182,956	14,692,636	–3,169,325	15,180,777

Segment reporting by regional markets

Euro thousand	Austria	Central and Eastern Europe	Other markets	Total
Net interest income				
1-3/2012	9,478	27,238	19,334	56,050
1-3/2011	32,172	62,337	21,904	116,413
Risk provisions				
1-3/2012	–10,317	–8,332	–3,514	–22,162
1-3/2011	–13,492	–27,361	–4,513	–45,366
Net fee and commission income				
1-3/2012	17,895	1,368	1,038	20,301
1-3/2011	21,889	2,980	614	25,484
Net trading income				
1-3/2012	7,519	–357	1,323	8,485
1-3/2011	15,660	–11,065	227	4,823
General administrative expenses				
1-3/2012	–44,351	–12,793	–8,356	–65,500
1-3/2011	–53,796	–25,913	–8,954	–88,663
Other operating result				
1-3/2012	–8,008	1,722	64	–6,222
1-3/2011	–3,407	11,640	67	8,300
Income from financial investments				
1-3/2012	18,268	512	16,546	35,325
1-3/2011	26,521	796	–1,025	26,293
Income from discontinued operation				
1-3/2012	0	12,634	0	12,634
1-3/2011	0	11,906	0	11,906
Result for the period before taxes				
1-3/2012	**–9,515**	**21,992**	**26,435**	**38,912**
1-3/2011	**25,547**	**25,320**	**8,321**	**59,189**

11) Quarterly financial data

Euro thousand	1-3/2012	10-12/2011	7-9/2011	4-6/2011	1-3/2011
Net interest income	56,050	50,444	104,318	123,259	116,413
Risk provisions	–22,162	–13,384	–6,143	–38,697	–45,366
Net fee and commission income	20,301	19,371	23,522	25,944	25,484
Net trading income	8,485	–9,014	–5,284	12,402	4,823
General administrative expenses	–65,500	–29,432	–90,105	–91,139	–88,663
Restructuring cost	0	–41,450	0	0	0
Other operating result	–6,222	–8,328	–357,220	–8,100	8,300
Income from financial investments	35,325	–95,126	–303,795	–68,510	26,293
Income from discontinued operation	12,634	–68,013	–77,899	2,002	11,906
Result for the period before taxes	38,912	**–194,931**	**–712,605**	**–42,840**	**59,189**
Income taxes	–2,823	–92,243	–4,240	15,111	–2,695
Income taxes from discontinued operation	–2,051	–5,885	–1,461	–4,233	–2,434
Result for the period after taxes	34,037	**–293,059**	**–718,307**	**–31,961**	**54,059**
Result attributable to shareholders of the parent company	22,159	**–270,245**	**–696,099**	**–43,138**	**50,177**
Result attributable to non-controlling interest	11,878	–22,814	–22,208	11,176	3,882

STATEMENT OF ALL LEGAL REPRESENTATIVES

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

Vienna, 25 May 2012

Michael Mendel
Deputy Chairman of the Managing Board
Risk and on an interim basis Finance, Human Ressources, Law, Organisation/IT, Marketing

Martin Fuchsbauer
Member of the Managing Board
Treasury

Wolfgang Perdich
Member of the Managing Board
Market/International Activities