VOLKSBANK AG

INTERIM REPORT

AS AT 31 MARCH 2013

KEY FIGURES OF VOLKSBANK AG

Euro million	31 Mar 2013	31 Dec 2012	31 Dec 2011
Statement of financial position [1]			
Total assets	**25,770**	**27,622**	**43,693**
Loans and advances to customers	9,938	10,056	12,717
Amounts owed to customers	2,423	2,542	2,713
Debts evidenced by certificates	8,362	9,935	13,452
Subordinated liabilities	625	621	1,729
Own funds			
Core capital (tier I) after deductions	1,642	1,709	2,305
Supplementary capital (tier II, tier III) after deductions	751	759	1,021
Eligible qualifying capital	2,394	2,467	3,326
Assessment base credit risk	12,749	13,443	22,947
Capital requirement market risk	92	95	121
Capital requirement operational risk	87	87	144
Surplus capital	1,196	1,210	1,225
Core capital ratio [2]	**11.0 %**	**10.9 %**	**8.8 %**
Equity ratio [2]	**16.0 %**	**15.7 %**	**12.7 %**

Income statement	**1-3/2013**	**1-3/2012**	**1-3/2011**
Net interest income	50.2	56.1	116.4
Risk provisions	–37.1	–22.2	–45.4
Net fee and commission income	10.9	20.3	25.5
Net trading income	–7.2	8.5	4.8
General administrative expenses	–61.5	–65.5	–88.7
Other operating result	64.0	–6.2	8.3
Income from financial investments	–16.8	35.3	26.3
Income from discontinued operation	0	12.6	11.9
Result before taxes	**2.5**	**38.9**	**59.2**
Income taxes	–17.9	–4.9	–5.1
Result after taxes	**–15.4**	**34.0**	**54.1**
Non-controlling interest	–5.9	–11.9	–3.9
Consolidated net income	**–21.3**	**22.2**	**50.2**

Key ratios [3]			
Operative cost-income-ratio	114.0 %	77.2 %	60.4 %
ROE before taxes	0.8 %	21.8 %	11.8 %
ROE after taxes	–5.1 %	19.5 %	11.2 %
ROE consolidated net income	–8.3 %	34.0 %	14.4 %
ROE before taxes (regulatory)	1.0 %	7.8 %	12.7 %
Resources			
Staff average	1,887	2,005	3,511
of which domestic	1,129	1,222	1,344
of which foreign	758	783	2,167
	31 Mar 2013	**31 Dec 2012**	**31 Dec 2011**
Staff at end of period	1,886	1,912	2,038
of which domestic	1,130	1,137	1,253
of which foreign	756	775	785
Number of sales outlets	2	2	2
of which domestic	1	1	1
of which foreign	1	1	1

[1] The comparative figures of 2012 and 2011 were adjusted according to IAS 8.
[2] In relation to total risk
[3] The operating cost-income-ratio is the ratio between net interest income, net fee and commission income and general administrative expenses.

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 BBi (Scotland) Ltd.

MANAGEMENT REPORT

Report on business development and the economic situation

Economic environment

The eurozone economy fared poorly in the fourth quarter of 2012 again, with gross domestic product contracting on an annual basis by 0.9% and on a quarterly basis by 0.6%. Data available so far shows that economic output shrank in the eurozone in the first quarter of 2013 as well, and is likely to have changed little in Austria.

While retail sales in the eurozone have shown some signs of stability month on month, they fell in all three months on an annual basis. The trend was similar for industrial production, where data is currently only available for January and February: industrial output was higher in Austria in the first two months of the year than in the eurozone, achieving significant annual growth rates.

Unemployment in the eurozone has reached new records. Seasonally adjusted, the jobless rate was 12.1% in March (February: 12.0%). Greece – where only the January figures are available for now – and Spain still have the highest unemployment rates at 27.2% and 26.7% respectively, followed by Portugal at 17.5%. The unemployment rate in Austria remains the lowest in the eurozone, coming in at 4.7% in March after registering 4.8% in February. However, it was higher in the first quarter of 2013 than in the same period in the previous year.

Inflation in both the eurozone and Austria slipped back in the first three months of the year. Inflation in the eurozone was 2.0% in January, 1.8% in February and 2.0% in March. The European Central Bank recently reached its inflation target of just under 2%. Inflation rates in Austria remained above average, amounting to 2.8% in January, 2.6% in February and 2.4% in March.

The European Central Bank left its base rate unchanged in the first quarter at 0.75%. Starting from a very low level, the three-month Euribor barely changed during the quarter and totalled 0.21% by the end of March. Bond markets around the periphery of the eurozone stabilised during the reporting period. The difficulties encountered in forming a government in Italy – the parliamentary elections on 24 and 25 February failed to produce a clear winner – were only a temporary problem for the markets. Yields on 10-year government bonds in Italy remained below the 5% mark, while in Spain they stayed well short of 5.50%. German yields, which set off on a sharp upwards trend in the first half of the quarter due to diminishing risk aversion, eventually dropped back by the end of the quarter to almost exactly where they started.

The countries of Central and Eastern Europe experienced mixed starts to the year. Although Hungary's economic output of –0.9% in the fourth quarter of 2012 was significantly lower compared with Q3, it achieved its budget targets and stabilised its debt ratio. Against a backdrop of weak economic performance and falling inflation rates, the Hungarian central bank loosened its monetary policy further in the first quarter of 2013. Slovakia registered significant growth in the fourth quarter both on a quarterly and an annual basis. Industrial production remained strong in January as well (+3.4% year on year). Slovenia is still hampered by its banking crisis and, while measures have been taken to resolve it, the end solution is still not in sight. Economic figures in the Czech Republic were weak. This was compounded by the country falling well short of its fiscal targets on account of non-recurring factors (church restitution bill). The forint and the koruna depreciated somewhat against the euro.

In the fourth quarter of last year, Romania's gross domestic product grew strongly (1.1% year on year and 0.4% on a quarterly basis). The most important monthly data available so far for the first quarter – retail sales and industrial output – were thoroughly satisfactory. The inflation rate remained above 5.0% in all three months of the quarter, and therefore well in excess of the central bank's target range. The central bank nevertheless left the key rate unchanged at 5.25%. The leu ended up unchanged after what turned out to be a very stable quarter.

Business development

The comparative figures as at 31 December 2012 were adjusted in accordance with IAS 8. The amended IAS 19 Employee Benefits has entered into force, requiring actuarial gains and losses now to be recognised in the other comprehensive income. Previously they were not recognised due to application of the "corridor" approach. Previous periods must be adjusted accordingly, pursuant to the transitional provisions. Additionally, an error in the processing of IFRS valuations in the course of the VBAG – Investkredit merger, which led to a misrepresentation in the annual report 2012, meant that the comparative figures in the balance sheet as at 31 December 2012, as well as the comparative figures in the income statement for the fourth quarter of 2012, had to be adjusted in line with IAS 8.41.

Group results for the first quarter of 2013

The result for the period before taxes amounted to euro 3 million, while the Group result for the period after taxes and non-controlling interest totalled euro –21 million.

Net interest income for the first quarter of 2013 was euro 50 million, euro 6 million below the result in the previous period. This decline is attributable to restructuring, and in particular to the Non-core Corporates segment.

Net fee and commission income in the reporting period was euro 11 million, down by euro 9 million in comparison to the previous period. The decline in the Other Operations segment is the result of a change in accounting of income from cost allocations, which has been reported in the other operating result since the fourth quarter of 2012. Net trading income of euro –7 million in the first quarter of 2013 is also down in comparison to the previous period.

General administrative expenses fell by euro 4 million to euro 61 million. The headcount declined by 26 compared with the end of 2012 and now totals 1,886 employees, of which 756 are not employed in Austria.

The other operating result for the reporting period of Q1 2013 amounted to euro 64 million. In accordance with the agreement of 27 February 2012, the Republic of Austria provided VBAG with an asset guarantee on 15 March 2013, up to a maximum amount of euro 100 million. This asset guarantee is effective until 31 December 2015 at the latest. Under IAS/IFRS rules, a receivable arising from the assumption of bad debts must be discounted to the reporting date. The earn-out clause included in this asset guarantee constitutes a liability that also must be discounted to the relevant reporting date. The total amount from discounting the receivable and discounting the liability from the earn-out clause was recognised under the other operating result, and totalled euro 65 million in the first quarter of 2013. The banking levy also shown in this item was euro –11 million in the current reporting period as well as in the 1-3/2012 reporting period.

Risk provisions for the first quarter of 2013 totalled euro 37 million, an increase of euro 15 million compared with the previous year's figure of euro 22 million. Additional specific provisions were required in the Non-core Real Estate segment, which resulted in an increase in risk provisions compared with the previous period of euro 25 million. Portfolio-based allowances totalling almost euro 18 million were released, partially compensating for specific provisions in the segments.

Income from financial investments in the reporting period was euro –17 million, therefore euro 52 million less than in the comparative period. A valuation result of euro –18 million from the surplus of effective fair value hedges was recorded (income of euro 16 million was recorded in the comparative period). The sale of VICTORIA Volksbanken insurance companies in the first quarter of 2012 produced income in the comparative period of euro 18 million.

The tax expense is mainly generated by deferred tax liabilities from the valuation differences between carrying amounts for tax purposes and carrying amounts under IFRS, particularly regarding the valuation of derivatives and securities and the recognition of the asset guarantee. Due to the high tax loss carryforwards in VBAG, no deferred tax assets were recognised for the losses in the single entity financial statements.

The sale of VBI AG and its subsidiaries closed on 15 February 2012. The deconsolidation result in the comparative period totalled euro –8 million. During the second quarter of 2012, the presentation of shares held indirectly via VBI Beteiligungs GmbH was adjusted, which resulted in a change in the deconsolidation result to euro 15 million. The result for the period 1 January to 15 February 2012 amounting to euro 21 million (including consolidation) and the deconsolidation result are presented under Income from discontinued operation.

Income from discontinued operation in the comparable reporting period in 2012 also included Selini GmbH and the Vremena Goda project which was carried at equity. The sale closed on 12 April 2012. A result of euro 0.1 million was recognised for the period from January to March 2012.

Statement of financial position and own funds

As at 31 March 2013, total assets amounted to euro 25.8 billion, a reduction of euro 1.9 billion compared with the end of 2012.

Loans and advances to customers dropped slightly and were euro 9.9 billion as at 31 March 2013. Declines were registered mainly in the Non-core Business segments.

Amounts owed to customers stood at euro 2.4 billion – a slight decline compared with the figure at the end of 2012.

Debts evidenced by certificates amounted to euro 8.4 billion as at 31 March 2013, which represents a fall of euro 1.6 billion compared with 31 December 2012. This reduction is mainly due to repayments made, in particular to the redemption of the last tranche of government guaranteed bonds which had a volume of euro 1 billion.

VBAG Group's own funds amounted to euro 2.4 billion as at 31 December 2013. The Tier I ratio based on total risk was 11.0% (31 December 2012: 10.9%). The equity ratio based on total risk was 16.0% (31 December 2012: 15.7%). Eligible own funds exceed the regulatory requirement by nearly euro 1.2 billion.

Outlook

Economic environment

Once again, most of the leading indicators point towards feeble growth in the next few months. This is also confirmed by the spring forecast recently published by the European Commission. In comparison to the winter forecast, the growth projection for this year was revised downward again slightly to –0.4% for the eurozone and +0.6% for Austria. The weak outlook and the continued drop in inflation risks prompted the European Central Bank to lower interest again, this time to 0.50%. On this basis, interest is expected to remain extremely low.

Business development

VBAG Group is undergoing an extensive restructuring process. Under the conditions set by the European Commission, business areas and holdings that are not part of VBAG's core business must be wound down or sold in the medium term, in line with their repayment profiles. This will have a negative effect on results, due in large part to the difficult economic environment and the resulting haircuts on the run-down portfolio. Therefore the Group is expecting a clearly negative result in the 2013 business year.

FINANCING SEGMENT

The Financing segment consists of the business areas Commercial Business – Syndicate Financing, Subsidies and Export Financing, VB Leasing Finanzierungsgesellschaft m.b.H. and VB Factoring Bank AG.

The Financing segment is responsible for supporting the regional Volksbanks through joint provision of services to existing customers as well as advising the Volksbanks on new business opportunities.

Segment result

Result before taxes for the Financing segment was euro 4 million and thus above the figures for the previous year. A slight increase in interest income could compensate the decrease in net fee and commission income. Cost savings and reduction of risk provisions also contributed to the improvement in result.

Commercial banking business – syndicated financing

Together with the Volksbanks, the focus in the first quarter of 2013 was on broadening business relations with existing customers, with due consideration of ensuring a balanced risk/benefit situation and added value for all those involved.

The regional approach adopted by the Volksbanks, coupled with the central organisation's comprehensive product, solution and structuring know-how, meets the needs of our joint target group, SMEs. Standard, streamlined processes were developed in joint workshops with the Volksbanks to be able to act quickly and efficiently in this market segment.

Subsidies and export financing

Subsidies and export financing are among the core products of the Volksbank-Sector, as they reduce credit risk by means of public-sector guarantees as well as facilitating project-based, longterm refinancing via funding agencies.

New subsidised loans from VBAG are generated solely by the local Volksbanks, which thereby support the growth of Austrian SMEs and underline their economic importance in the regions.

"Subsidies and export financing" supports the Volksbank-Sector with advisory services and product know-how in its capacity as the central institution and as part of the syndicate business, and is also responsible for ongoing processing of these products in Non-core Business.

Development of selected product groups

Total ERP loan volume dropped from approximately euro 193 million (as at 31 March 2012) to roughly euro 159 million by the end of March 2013. This is therefore significantly lower than the figure for the same period of the previous year, mainly due to the Volksbanks' small and medium-sized clients generally opting for small loans. However, despite significant scheduled and unscheduled repayments in Non-core Business, the number of individual loans again increased markedly from 380 to 431 ERP loans over the reporting period (including 305 ERP small loans in the first quarter of 2013, compared with 244 such loans as at 31 March 2012). In the first quarter, 30 ERP loans (including 20 ERP small loans) with a volume of around euro 10 million were added.

By the end of the first quarter of 2013, exposure fell as planned in OeKB short-term business to around euro 16 million (compared with around euro 40 million as at 31 March 2012). This can be attributed to the strategic focus on SMEs, where these loans are now only handled through the Export Fund.

The volume of financing for SME customers of the Volksbank sector under the Austrian Export Fund is around euro 42 million across 137 loans, lower than the long-term average of euro 50 million, but higher than in the previous year (euro 39 million as at 31 March 2012).

The volume of OeKB equity finance for corporate customers fell to euro 260 million across 37 loans as planned (at the end of the first quarter in 2012 there were still 51 loans with a volume of euro 414 million), since a large part of these loans are attributable to the Bank's Non-core Business.

Soft loan exposure volumes remained unchanged compared with the previous period at roughly euro 55 million.

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

VB Leasing Finanzierungsgesellschaft m.b.H. (VBLF)
VB Leasing Finanzierungsgesellschaft's satisfactory result in the first quarter of 2013 continues the trend from 2012, but came in slightly lower in view of a sharp rise in refinancing costs. New business volumes in the reporting period amounted to euro 71 million, derived from more than 3,900 contracts. This represents a modest increase on the first quarter in 2012. The passenger car business provided a motivating boost to results. Although the automobile market stagnated in Austria in the first quarter of 2013, VBLF managed to increase its market penetration by generating growth of 10% in new business. VB Leasing is currently ranked fifth among moveable goods leasing providers in Austria.

VB Factoring Bank AG
A factoring volume of euro 307.4 million in the first quarter is 4% below the previous year but 17% higher than budgeted. The proactive reduction of customers with strong sales and earnings positions in the previous year is likely to result in a further reduction of business volumes in the 2013 financial year.

The restructuring process underway in the VBAG Group is depriving the factoring department of large-volume business from the former "Corporate Finance" department. This requires an adjustment to product policy and a reorganisation of the customer structure. One significant factor of success in this respect is the market and business development carried out by the regional Volksbanks.

Outlook for the Financing segment

We anticipate moderate growth in the coming months, based on financing requests already in the pipeline with regard to new business.

Demand for ERP loans arising from the Volksbanks' SME corporate customer segment is highly satisfactory. Volume of new business for 2013 as a whole is therefore expected to be comparable with 2012.

There will be a further planned reduction in short-term and long-term OeKB finance volumes due to the strategic focus on SMEs.

However, we are planning to increase noticeably Export Fund loans as part of the SME offensive throughout the Volksbank-Sector, and to exploit fully the potential of these products with tailored financing solutions for the SME customers of the Volksbanks. Since many SMEs expect the Basel III discussions to result in tighter credit supply and the capital market has yet to offer any alternatives in this segment, we expect to see a general increase in demand throughout 2013 for subsidised loans and export finance. We intend to respond to this trend by developing special financing solutions for Austrian SMEs.

VB Leasing Finanzierungsgesellschaft is again focusing on the Volksbank-Sector in its sales operations during the 2013 financial year.

One of the major goals for 2013 is to give factoring a more important role in the Volksbank banking association and to increase the number of customers. VB Factoring Bank will continue its business strategy unchanged in the current year, and it expects to see further growth.

FINANCIAL MARKETS/INVESTMENT BOOK SEGMENT

The Financial Markets/Investment Book segment encompasses the organisational units of Capital Markets Treasury and Volksbank Investments as well as Liquidity Management. The segment also includes Immo Kapitalanlage AG and the direct bank LiveBANK. The key task of the Financial Markets/Investment Book segment is providing services and support to primary banks and institutional customers.

Segment result

Result before taxes amounted to euro –55 million. Mainly the fall in net trading income as well as the negative surplus of effective fair value hedges in income from financial investments are responsible for the decrease of result in comparison to the previous year figures.

Treasury

The Treasury business area is the intermediary for money and capital market transactions for VBAG Group and the Association of Volksbanks. Its core tasks include procuring short-term and long-term liquidity, managing interest rate and currency risks and providing treasury services and order management for the Austrian Volksbanks. It also deals with customers directly through an institutional customers sales unit.

Market overview

Capital markets were influenced in the first quarter of 2013 by continued reduction in risk premiums of safe asset classes due to high demand. This applied amongst others to covered bonds and German government bonds, whose yields again approached all-time lows.

Unsecured bonds, by contrast, came under pressure following discussions about the involvement of creditors in restructuring processes. In spite of the economic problems in Cyprus and the unexpected inclusion of savings deposits in the restructuring of its banking system, other countries around the periphery such as Italy and Spain were still able to gain access to refinancing on the capital market at moderate interest rates.

Execution Market

With interest rates currently very low, an optimised management of the Group's short-term liquidity, which is carried out in cooperation with the liquidity management team, helped to maintain a stable liquidity base. A long-term measure to secure liquidity was taken in January in the amount of CHF 200 million, while in February VBAG exited the 3-year ECB tender (LTRO with a volume of euro 300 million).

Alongside managing customer flows and associated optimisation of income, regulatory topics were in the spotlight in the first quarter. For example, work was carried out on how best to implement hedge accounting requirements. Furthermore, Treasury is actively involved in various projects, such as implementing central counterparty clearing.

Advisory services to Volksbanks

Historically low interest rates also shaped the Volksbanks' treasury activities. Besides hedging with interest rate caps, mainly in the retail customer segment, the Volksbanks increasingly switched to fixed-interest loans. In the first quarter, VBAG Treasury supported sales campaigns organised by the Volksbanks for both retail customers and SMEs by providing professional and technical resources.

The focus in commission trading was on fixed-income or step-up bonds from various issuers, while in terms of funds the emphasis was on real estate, equities generating strong dividends and emerging markets. A cooperation agreement was entered into with Schelhammer & Schattera bank in the first quarter of 2013, which encompasses the areas of stock market trading and third-party funds.

The key points in advisory services provided to the Volksbanks in the fields of asset/liability management and proprietary trading were liquidity and investment opportunities. On the one hand, increasingly narrow credit spreads and low interest rates resulted in historically low yields in some areas of the bond market, which raised the demand for advisory services. On the other hand, the focus was on liquidity and liquidity costs of the Volksbanks, where some optimisation was carried out as part of the fund transfer pricing process.

Direct Sales/Execution

The realignment of the Volksbank-Sector (joint liability scheme in accordance with section 30a of the Austrian Banking Act) was welcomed by institutional clients in Austria and Germany. Registered bonds and promissory note bonds in particular were successfully placed in this customer segment.

Strategies to hedge interest and currency risk were of interest in the corporate customer segment, with demand seen first and foremost for FX forward transactions and purchased FX options. Riskier variants were not popular and do not comply with the business policy of our Bank.

Capital Markets

The strategic investment book comprises all of the securities required for regulatory and banking operation purposes, amounting to roughly euro 4.1 billion, as well as other capital market investments totalling approximately euro 1.1 billion (IFRS).

The favourable securitisation environment in the US was utilised to continue reducing high RWA positions on a selective basis. The CDS portfolio volume is low, it comprises only hedging positions (purchased protection) or closed positions.

Liquidity management

One of the key tasks of Österreichische Volksbanken-AG as central institution is the central management of liquidity in the Association of Volksbanks with respect to regulatory and economic requirements. This entails the consequent securing of an optimal liquidity base for VBAG Group as well as for all Association member banks.

The liquidity buffer held by VBAG Group was euro 3.4 billion as of 31 March 2013 which corresponds to the planned level. Close cooperation with the regional Volksbanks and the collateral program which is currently running ensure compliance with regulatory requirements according to section 30a of the Austrian Banking Act and will further strengthen the liquidity buffer.

Volksbank Investments

Assets under management at Volksbank Investments fell slightly from euro 7.05 billion to euro 6.91 billion in the first quarter.

The first three months of the year were characterised by low interest rates and the continuing preference of investors for safe products. Taking inflation into account, low yields of safe investments are resulting in negative real interest and therefore a loss in capital in the medium to long term. The key topic of "Investing in Times of Low Interest Rates" initiated in the last quarter of 2012 is therefore still relevant, and has been continued in the first quarter of 2013 with new products. With these "low-interest alternatives" – focusing heavily on equities – positive results were achieved in a very short time, the recommended equity funds generated an average performance of around 10%.

Funds: in-house developments successful on the market

Volksbank Investments' fund volume increased over the first three months of the year by 2.2%, growth that is in keeping with the overall market. While the total volume of bond and mixed funds remained stable, equity funds expanded by roughly 10%. The VB Pacific-Invest Fund even grew by 21%, meaning the euro 100 million mark has almost been reached.

Developments of Flex products were also very pleasing on the whole, especially of the VB-Mündel-Flex. While volume trends for European government bond investments last year were generally negative, the VB-Mündel-Flex – on the market since the end of 2011 – enjoyed significant inflows during the period. The Flex products, which are set to be expanded in the near future, are based on a special, rules-based approach to managing the interest rate risk of a eurobond portfolio. Price losses due to rising interest rates are significantly cushioned. When interest rates are falling, Flex products participate in the performance of the underlying base portfolio (government bonds, covered bonds, etc.). There was also a pleasing increase of roughly 8% in the volume of special fund mandates.

Certificates: strong increase in sales and high maturing volumes

Sales of certificates, especially in the first two months of the year, came in considerably above the corresponding figures of the previous year. However, the large number of maturing certificates in the first quarter reduced the overall volume by 3.9% to euro 1.7 billion. If we take the decline on the overall market into account, however, sales results of new products and new tranches are positive.

The sales success is also due to the fact that, in the current low-interest climate, many savers are seeking ways of investing in products that offer far better return potential. Roughly three quarters of all the certificates sold in the first quarter have some form of capital protection.

In the first quarter of 2013, Volksbank Investments reinforced its leading market position in the certificate segment with a market share of more than 30% (almost 35% for guarantee certificates).

New asset management product developed for retail customers

Using the new "Investment Strategies" product, which is designed to provide additional support to the Volksbanks in retail customer business, defined core portfolios can be supplemented or expanded. This means that Volksbank customers can gain risk-adjusted access to opportunities on the capital market, for example through guarantee certificates or certificates offering partial protection. Assets are allocated to one of three core portfolios depending on the risk/return profile of the customer. Euro government bonds, covered bonds, euro corporate bonds, non-euro bonds, emerging market bonds, euro real estate investments, equities, managed futures and commodities are added to achieve the desired diversification, depending on the given risk profile.

Asset management mandates: volume of euro 2.3 billion

Work is currently underway in conjunction with the regional Volksbanks to acquire new customers, based on Volksbank Investments' wide-ranging expertise in institutional asset management. The target groups are companies, including SMEs, institutions such as professional associations, pension funds and private foundations.

Volksbank Investments' expertise in the area of institutional asset management is underpinned by the many years of experience it has gathered in managing the in-house pension fund, the performance of which has been considerably stronger than the market average over the last five years.

Outlook for the Financial Markets/Investment Book segment

In spite of the noticeable easing on the markets at the start of the year, we still find ourselves in a difficult climate, be it due to problems in Cyprus or in Italy. Treasury expects the difficult economic conditions to continue throughout the second quarter of 2013. In this market environment, Treasury will provide a high standard of professional service and support to the Volksbanks and their customers.

The assumption of the task of central liquidity management by VBAG makes a consolidated, Association-wide liquidity planning and budgeting possible and will contribute to a strengthening of the Association of Volksbanks. Aims are to reduce liquidity costs by optimising and diversifying sources of refinancing and to implement an efficient management of the liquidity coverage ratio in the entire Association of Volksbanks.

The effects of the elections in Italy and the bail-out in Cyprus have demonstrated that many investors very quickly retreat to the safe havens of German – and to a lesser extent also Austrian, Finnish and Dutch – government bonds. Volksbank Investments assumes that, given these movements on the market, current sentiment and the political uncertainties, yields on 10-year German government bonds could fall to new lows.

In the current financial year, the Financial Markets/Investment Book segment will continue to focus on optimally fulfilling all tasks arising from VBAG Group's function as central organisation of the Association of Volksbanks.

NON-CORE BUSINESS

The main task of the Non-core Business segment is to focus on winding down the loan portfolios that it manages, with the aim of improving the bank's risk-weighted-assets and liquidity positions. This work is being carried out in accordance with a plan that has been approved by the national and international supervisory bodies.

The Non-core Business is divided into four segments:
- Non-core Corporates
- Non-core Real Estate
- Non-core Retail
- Non-core Investment Book/Other Operations segment

Non-core Corporates

The segment comprises the business fields of "Corporate Customers Austria", "Leveraged Finance Austria/CEE/Germany", "International Project Finance and Renewable Energy" as well as "Private Equity – Funds Investments" activities.

The primary objective of the segment is a focused, proactive reduction in the portfolios of the former Corporate Finance and Corporate Banking segments with the aim of improving the Bank's RWA and liquidity situation. The reduction of assets is taking place in accordance with a plan approved by national and international supervisory authorities, which is partially adapted to customers' needs under critical circumstances.

Segment result

Result before taxes was euro -0,2 million. The reduction of businesses is clearly reflected in net interest income down euro 7 million year-on-year. Also general administrative expenses could be reduced accordingly.

Corporate Customers Austria/Leveraged Finance Austria/CEE/Germany

The reduction in obligations and RWA, which began successfully in 2012, is continuing. This is attributable to a good liquidity situation in many companies and the ongoing high level of interest shown by banking partners in taking over refinancing.

The Frankfurt branch was closed at the end of 2012, and the branch's portfolio was sold in two stages. Follow-up work in connection with this was carried out in the first quarter of 2013.

International Project Finance and Renewable Energy

In addition to the active winding down of the existing portfolio, individual transactions were successfully sold on the secondary market.

Private Equity – Fund Investments

Measures to release capital that is no longer needed from subsidiary companies were largely implemented in 2012, along with measures to simplify structures. No further active business was conducted and no further advisory mandates were accepted.

Non-core Real Estate

The Non-core Real Estate segment encompasses the commercial real estate loan financing operations of VBAG, real estate lease financing, the corresponding workout activities from loan and leasing finance of REWO Unternehmensverwaltung GmbH and the asset management operations of VB Real Estate Services GmbH. In addition to projects in Austria, the business area provides services to real estate partners in CEE and SEE in particular. In accordance with the ongoing strategy and objective to reduce all segments in a structured manner ensuring value is maintained, further measures were taken to this end in the first quarter of 2013.

Segment result

Result before taxes in the Non-core Real Estate segment was euro -19 million. This decrease in results is mainly attributable to higher risk provisions which have to be increased due to the persisting difficult situation on real estate markets.

Real estate loan financing

Roughly three quarters of the business volume related to real estate loan financing at VBAG. In this segment, VBAG has been engaged in the long-term financing of commercial real estate projects for many years. The geographical focus of real estate financing lies in the Czech Republic, Romania, Poland, Austria and Hungary. In the first quarter of 2013, active measures to scale back the portfolio meant that loans amounting to approximately euro 79 million were repaid early. This resulted in a direct reduction of RWA amounting to approximately euro 42 million.

Leasing and asset management

Alongside the natural maturing of the portfolio, there was a reduction in assets in real estate leasing caused by the early termination of contracts and associated property sales amounting to around euro 14 million. Sales are currently underway for projects in Austria and abroad worth roughly euro 130 million. Negotiations are also being held on the sale of portfolio properties and participations.

Non-core Retail

The Non-core Retail segment encompasses the non-real estate leasing operations of the VB-Leasing International group in CEE as well as the business of Volksbank Romania S.A.

Segment result

Result before taxes amounted to euro 14 million for the Non-core Retail segment. The decline in risk provisions are mainly responsible for the positive result in this segment. In previous year figures the result of VBI sub-group is included in result of discontinued operation.

VB-Leasing International Holding GmbH (VBLI)

VBLI can look back positively on the first three months of 2013 overall – new business at Group level is sitting at the same level as the previous year, amounting to euro 216.6 million or approximately 8.600 contracts.

VB-Leasing International focused on implementing a Group-wide realignment of the sales structure and associated processes with a view to purposefully widening the standard level of service offered within the Group in an efficient way. An organisational structure focusing on sales through dealers and international vendors as well as direct sales replaces the former object-oriented structure of business areas.

The long-standing cooperation with CLAAS was taken to the next level in the first quarter following the conclusion of partnership agreements in Serbia, Slovenia, Croatia and Bosnia-Herzegovina.

Volksbank Romania S.A. (VB RO)

In a market environment that remains challenging, the restructuring measures continued to produce positive results. The most substantial improvements achieved were customer base growth (+74%) and increase in deposits (+ 57%). With a loan-to-deposit ratio of 354% at 31 March 2013, compared with 592% over the same period of 2012, the bank showed a remarkable ability to attract resources from the local market and to reduce substantially existing imbalances.

A one off drop in cost of credit risk was also resulting in a small, above budget profit after the first three months. However, as the bank will conduct a periodic revaluation of collateral in 2013 the ongoing deterioration of Romanian real-estate market prices will be reflected in the bank's cost of risk. Therefore, the expectations for the full year are still for a loss.

Non-core Investment Book/Other Operations

The parts of the investment book that are to be wound down or sold according to their maturity profile have been allocated to this segment. VB Malta Ltd. was also allocated to the Non-core Investment Book/Other Operations segment, as well as holding companies of non-core participations. Additionally, the Non-Core Investment Book contains securities which will play a subordinate role in the future for strategic reasons (e.g. securitisations, senior bank bonds), as well as securities which are not of use or only of limited use in banking operations (LI2, EZB, SNB, etc.). The entire remaining CDS portfolio is allocated to this segment too. The reduction in this segment takes place on a largely passive basis and focuses on the current maturity profile, whereby any market opportunities that do arise are seized.

Segment result

Result before taxes in Non-core Investment Book/Other Operations was euro 67 million. The result from recognition of the asset guarantee of the Republic of Austria and the earn-out clause were allocated to the Investment Book/Other Operations segment and shown in other operating result. In the previous year figures in income from financial investments positive valuation and disposal results of credit default swaps were recognised.

Outlook for the Non-core Business

Work is still underway in the Non-core Corporates segment to reduce obligations whilst protecting income, as well as ending customer relationships by mutual consent.

Based on the portfolio reduction strategy of the Non-core Real Estate segment, the focus in 2013 remains on reducing the risk and capital commitment of the portfolio, but also on raising income from the portfolio.

The roll-out of the wholly new structure throughout the entire VBLI network will continue in the coming quarter. A conservative risk policy, a standard level of service across the Group and a forward-facing approach to sales are all key parameters that are vital for VBLI as a stable financing partner in Central and Eastern Europe, especially in a challenging business environment.

The main focus of the management of VB RO for the remaining part of 2013 is the ongoing improvement of structural imbalances, namely the reduction of the NPL ratio, the decrease of the loan/deposit ratio as well as the development of a more broader income base.

Income statement

	1-3/2013 Euro thousand	1-3/2012 Euro thousand	Changes Euro thousand	%
Interest receivable and similar income	198,500	280,725	–82,225	–29.29%
Interest payable and similar expense	–148,456	–224,733	76,277	–33.94%
Income from companies measured at equity	176	58	118	>200.00%
Net interest income	50,220	56,050	–5,830	–10.40%
Risk provisions	–37,107	–22,162	–14,944	67.43%
Fee and commission income	19,736	28,590	–8,854	–30.97%
Fee and commission expenses	–8,861	–8,289	–572	6.90%
Net fee and commission income	10,875	20,301	–9,426	–46.43%
Net trading income	–7,166	8,485	–15,651	–184.45%
General administrative expenses	–61,468	–65,500	4,031	–6.15%
Other operating result	64,005	–6,222	70,227	<–200.00%
Income from financial investments	–16,811	35,325	–52,136	–147.59%
Income from discontinued operation	0	12,634	–12,634	–100.00%
Result for the period before taxes	**2,548**	**38,912**	**–36,363**	**–93.45%**
Income taxes	–17,936	–2,823	–15,112	>200.00%
Income taxes from discontinued operation	0	–2,051	2,051	–100.00%
Result for the period after taxes	**–15,387**	**34,037**	**–49,424**	**–145.21%**
Result attributable to shareholders of the parent company (Consolidated net result)	**–21,299**	**22,159**	**–43,458**	**<–196,12%**
thereof from continued operation	–21,299	11,576	–32,876	<–200.00%
thereof from discontinued operation	0	10,582	–10,582	–100.00%
Result attributable to non-controlling interest	5,912	11,878	–5,966	–50.23%
thereof from continued operation	5,912	3,780	2,132	56.41%
thereof from discontinued operation	0	8,099	–8,099	–100.00%

Comprehensive income	1-3/2013 Euro thousand	1-3/2012 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**–15,387**	**34,037**	**–49,424**	**–145.21%**
Other comprehensive income				
Currency reserve	–3,888	22,869	–26,757	–117.00%
Available for sale reserve (including deferred taxes)				
Change in fair value	35,427	69,952	–34,525	–49.36%
Net amount transferred to profit or loss	–397	3,338	–3,735	–111.89%
Hedging reserve (including deferred taxes)				
Change in fair value (effective hedge)	–1,374	–1,346	–29	2.14%
Net amount transferred to profit or loss	307	380	–72	–19.01%
Change in deferred taxes of untaxed reserves	13	0	13	100.00%
Other comprehensive income total	**30,089**	**95,193**	**–65,105**	**–68.39%**
Comprehensive income	**14,701**	**129,230**	**–114,529**	**–88.62%**
Comprehensive income attributable to shareholders of the parent company	**10,451**	**111,638**	**–101,187**	**–90.64%**
thereof from continued operation	10,451	81,702	–71,251	–87.21%
thereof from discontinued operation	0	29,936	–29,936	–100.00%
Comprehensive income attributable to non-controlling interest	4,250	17,592	–13,342	–75.84%
thereof from continued operation	4,250	6,872	–2,622	–38.15%
thereof from discontinued operation	0	10,720	–10,720	–100.00%

Statement of financial position

	31 Mar 2013 Euro thousand	31 Dec 2012 restated [1] Euro thousand	Changes Euro thousand	%
Assets				
Liquid funds	513,031	851,262	–338,231	–39.73%
Loans and advances to credit institutions (gross)	6,587,469	7,270,203	–682,734	–9.39%
Loans and advances to customers (gross)	9,937,714	10,055,734	–118,020	–1.17%
Risk provisions (–)	–1,073,962	–1,067,045	–6,917	0.65%
Trading assets	2,873,377	2,574,227	299,150	11.62%
Financial investments	5,095,051	5,561,058	–466,007	–8.38%
Assets for operating lease	351,552	354,139	–2,587	–0.73%
Companies measured at equity	7,972	10,293	–2,322	–22.55%
Participations	445,669	444,562	1,106	0.25%
Intangible assets	13,305	13,967	–662	–4.74%
Tangible fixed assets	128,991	130,676	–1,685	–1.29%
Tax assets	59,140	58,184	956	1.64%
Current taxes	11,594	11,104	490	4.41%
Deferred taxes	47,546	47,079	467	0.99%
Other assets	830,281	1,365,216	–534,935	–39.18%
TOTAL ASSETS	**25,769,589**	**27,622,476**	**–1,852,887**	**–6.71%**
Liabilities and Equity				
Amounts owed to credit institutions	9,760,322	9,834,518	–74,196	–0.75%
Amounts owed to customers	2,423,285	2,542,128	–118,843	–4.67%
Debts evidenced by certificates	8,361,576	9,934,621	–1,573,045	–15.83%
Trading liabilities	2,255,986	2,073,118	182,868	8.82%
Provisions	179,216	179,443	–227	–0.13%
Tax liabilities	194,832	171,822	23,010	13.39%
Current taxes	16,608	16,662	–54	–0.32%
Deferred taxes	178,224	155,160	23,064	14.86%
Other liabilities	748,204	1,056,694	–308,490	–29.19%
Subordinated liabilities	625,209	620,718	4,491	0.72%
Equity	1,220,959	1,209,414	11,545	0.95%
Shareholders' equity	1,026,191	1,015,739	10,452	1.03%
Non-controlling interest	194,768	193,675	1,093	0.56%
TOTAL LIABILITIES AND EQUITY	**25,769,589**	**27,622,476**	**–1,852,887**	**–6.71%**

[1] The comparative figures of 2012 were adjusted according to IAS 8. Details see chapter 1

Changes in the Group's equity

Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	Currency reserve	IAS 39 [2] valuation reserves: Available for sale reserve	IAS 39 [2] valuation reserves: Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 Jan 2012	**1,338,838**	**0**	**–1,002,116**	**–14,206**	**–243,924**	**1,833**	**80,425**	**395,742**	**476,167**
Restatement [3]			**–7,640**				**–7,640**	**–98**	**–7,738**
As at 1 Jan 2012	**1,338,838**	**0**	**–1,009,756**	**–14,206**	**–243,924**	**1,833**	**72,785**	**395,644**	**468,429**
Consolidated net income [4]			22,159				22,159	11,878	34,037
Change in deferred taxes arising from untaxed reserve							0		0
Currency reserve				19,761			19,761	3,108	22,869
Available for sale reserve (including deferred taxes)					70,273		70,273	3,017	73,290
Hedging reserve (including deferred taxes)						–554	–554	–412	–966
Change from companies measured at equity				–1,036	1,560	–524	0		0
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 and deconsolidation			43				43	–212,180	–212,137
As at 31 March 2012 [5]	**1,338,780**	**0**	**–987,554**	**4,519**	**–172,091**	**755**	**184,409**	**199,968**	**384,377**
As at 1 Jan 2013	**885,632**	**0**	**110,902**	**7,209**	**–8,026**	**735**	**996,451**	**193,776**	**1,190,227**
Restatement[3]			**19,288**				**19,288**	**–101**	**19,187**
As at 1 Jan 2013	**885,632**	**0**	**130,191**	**7,209**	**–8,026**	**735**	**1,015,739**	**193,675**	**1,209,414**
Consolidated net income [4]			–21,299				–21,299	5,912	–15,387
Change in deferred taxes arising from untaxed reserve			13				13		13
Currency reserve				–2,106			–2,106	–1,782	–3,888
Available for sale reserve (including deferred taxes)					35,030		35,030		35,030
Hedging reserve (including deferred taxes)						–1,187	–1,187	120	–1,067
Change from companies measured at equity				142	714	–857	0		0
Comprehensive income	0	0	–21,286	–1,964	35,744	–2,044	10,451	4,250	14,701
Dividends paid							0	–158	–158
Change due to reclassifications shown under non-controlling interest and deconsolidation			1				1	–2,999	–2,998
As at 31 March 2013	**885,632**	**0**	**108,905**	**5,245**	**27,718**	**–1,309**	**1,026,191**	**194,768**	**1,220,959**

1) Subscribed capital corresponds to the figures reported in the financial statements of Österreichische Volksbanken-Aktiengesellschaft. As at 31 March 2012 the subscribed capital did 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 could only be included in the consolidated financial statements after legal effect.

2) As at 31 March 2013, the available for sale reserve included deferred taxes of euro –8,628 thousand (31 March 2012: euro 38,599 thousand).
The hedging reserve contains deferred taxes in the amount of euro 273 thousand at the balance sheet date (31 March 2012: euro –380 thousand).

3) The restatement was done according to IAS 8 (see chapter 1)

4) Currency translation differences amounting to euro –132 thousand (1-3/2012: euro 86 thousand) for shareholders' equity and euro –168 thousand (1-3/2012: euro 87 thousand) for non-controlling interest resulted from the application of average rates of exchange in the income statement.

5) In the figures as at 31 March 2012 the disposal group Selini accounted for an amount of euro 421 thousand in the currency reserve.

Cash flow statement

Euro thousand	1-3/2013	1-3/2012
Cash and cash equivalents at the end of the previous period (= liquid funds)	851,262	1,256,936
Cash flow from operating activities	–461,972	–189,056
Cash flow from investing activities	123,895	–4,461
Cash flow from financing activities	–154	–108,522
Cash and cash equivalents at the end of period (= liquid funds)	513,031	954,896

NOTES

Interim Financial Statement as at 31 March 2013

1) General

The interim report as at 31 March 2013 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 2012. In preparing this interim report the accounting principles, the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2012 with exception of the changes explained in chapter b) Changes to accounting principles.

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

These condensed consolidated interim financial statements were not audited or reviewed by an auditor.

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.

a) Going concern

The VBAG parent company posted significant losses for the 2011 business year in its separate financial statements, giving rise to a medium-term danger of falling short of regulatory solvency limits and doubts about the company's ability to continue as a going concern.

As at 27 February 2012, stabilisation measures were agreed between the shareholders of VBAG and the Republic of Austria which were concluded in the Annual General Meeting of 26 April 2012, approved by the European Commission and the Financial Market Authority in September 2012 and registered in the Austrian Commercial Register on 28 September 2012.

Significant restructuring measures were implemented as at 31 December 2012. The VBAG managing board assumes that the still outstanding stabilisation measures are very likely to be taken and that the preparation of the condensed consolidated interim financial statements on the assumption that the company shall remain a going concern is justified.

b) Changes in accounting principles

IAS 19 Employee Benefits which was changed in 2011 entered into force on 1 January 2013 and was therefore applied in this interim report. IAS 19 as amended eliminated the "corridor method" and now calls for actuarial gains and losses to be recognised directly in other comprehensive income. Furthermore, expected returns on plan assets and interest cost on defined benefit obligations have been replaced in the amended IAS 19 by a single net interest component. All past service costs must now be recognised in the period in which the plan is amended. The amendment to IAS 19 also changes the rules for termination benefits as well as expanding the disclosure and explanation requirements. The amendments were applied retroactively in accordance with the transitional regulations of IAS 19, which resulted in the alteration of the previous year's figures.

The following changes were made to financial information due to the application of IAS 19:

Adjustment income statement

Euro thousand	10-12/2012
Staff expenses	2,051
Result for the period before taxes	**2,051**
Income taxes	–513
Result for the period after taxes	**1,538**
Result attributable to shareholders of the parent company	1,538
thereoff from continued operation	1,538
Result attributable to non-controlling interest	0
Other comprehensive income	
Revaluation obligation of defined benefit plans (IAS 19)	–3,541
Deferred taxes of revaluation IAS 19	888
Other comprehensive income total	**–2,653**
Comprehensive income	**–1,115**
Result attributable to shareholders of the parent company	–1,112
thereoff from continued operation	–1,182
thereoff from discontinued operation	70
Result attributable to non-controlling interest	–3
thereoff from continued operation	–71
thereoff from discontinued operation	68

Adjustment in statement of financial position

Euro thousand	31 Dec 2012	01 Jan 2012
Deferred tax assets	2,933	2,528
Assets of the disposal group	0	30
Total Assets	**2,933**	**2,558**
Provisions	11,786	10,128
Provisions for pensions	8,846	8,588
Provisions for severance payments	2,940	1,541
Liabilities of the disposal group	0	168
Equity	–8,853	–7,738
Shareholders' Equity	–8,752	–7,640
Non-controlling interest	–101	–98
Total Liabilities and Equity	**2,933**	**2,558**

A processing error in the IFRS valuation in the course of the VBAG – Investkredit merger, which led to a misrepresentation in the consolidated financial statments 2012, meant that comparative figures in the balance sheet as at 31 December 2012 as well as comparative figures in the income statement for the fourth quarter of 2012 had to be adjusted in line with IAS 8.41.

Adjustment income statement

Euro thousand.	10-12/2012
Other operating result	–16,460
Income from financial investments	53,847
Result for the period before taxes	**37,386**
Income taxes	–9,347
Result for the period after taxes	**28,040**
Result attributable to shareholders of the parent company	28,040
Result attributable to non-controlling interest	0

The restatement is attributable to continued operation.

Adjustment in statement of financial position

Euro thousand	31 Dec 2012
Trading assets	5,814
Deferred tax assets	250
Other Assets	–53,656
Total Assets	**–47,592**
Debts evidenced by customers	22,274
Deferred tax liabilities	9,597
Other liabilities	–107,503
Equity	28,040
Shareholders' Equity	28,040
Non-controlling interest	0
Total Liabilities and Equity	**–47,592**

2) Changes in the Group structure

No changes in the group structure took place in the first quarter 2013.

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 result of deconsolidation is shown in the result from discontinued operation. Deconsolidation result amounted to euro -8 million in the first quarter 2012. In the second quarter 2012, the presentation of the participation hold indirectly by VBI BeteiligungsGmbH was adapted, leading to a change in deconsolidation result to euro 15 million.

Profit and loss of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012
Net interest income	24,137
Risk provisions	6,399
Net fee and commission income	5,412
Net trading income	627
General administrative expenses	–17,344
Other operating result	–10,414
thereof deconsolidation result	–8,024
Income from financial investments	3,690
Result for the period before taxes	**12,507**
thereof consolidation	2,203
Income taxes	–2,051
Result for the period after taxes	**10,455**
Profit attributable to shareholders of the parent company	**2,357**
Profit attributable to non-controlling interest	8,099

Cash flow of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012
Cash and cash equivalents at the end of previous period (= liquid funds)	**825,992**
Cash flow from operating activities	–168,633
Cash flow from investing activities	9,774
Cash flow from financing activities	802
Cash and cash equivalents at the end of period (= liquid funds)	**667,936**

Cash and cash equivalents in the amount of euro 668 million, assets in the amount of euro 8,668 million and liabilities in the amount of euro 8,794 million were derecognised as part of the deconsolidation. The change in the cash flow statement in the amount of euro –399 million is calculated on the basis of the selling price of euro 269 million less cash and cash equivalents in the amount of euro 668 million.

Number of staff which was employed in disposal group Banks CEE

	Average number of staff
	1-3/2012
Domestic	39
Foreign	2,049
Total number of staff	**2,088**

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. An earn-out clause which was included in the purchase agreement stipulates that the buyer has to pass on 50% of a positive increase of market value of the real estate project in 2012. The fair value calculation is based on an interest rate of 9%. The amount will be fixed after the finalisation of the local financial statements. Starting with 22 December 2011 Selini Holding GmbH and Trastona Holding Ltd. (Vremena Goda project) 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.

Profit and loss of discontinued operation Selini

Euro thousand	1-3/2012
Net interest income	–640
Net trading income	782
General administrative expenses	–15
Result for the period before taxes	**127**
Income taxes	0
Result for the period after taxes	**127**
Profit attributable to shareholders of the parent company	**127**
Profit attributable to non-controlling interest	0

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 of 2012, the cash flow from operating activities is also zero.

Discontinued operation Selini has no staff.

3) Subsequent events

The public take-over bid for the shares of Ablon Group Limited was accepted by the VBAG Group in March 2013. The shares of Ablon Group Limited were transferred as at 19 April 2013 and the investment was derecognised.

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 2013.

4) Notes to the income statement

Net interest income

Euro thousand	1-3/2013	1-3/2012
Interest and similar income	198,676	280,783
Interest and similar income from	189,380	272,882
liquid funds	360	792
credit and money market transactions with credit institutions	15,080	29,900
credit and money market transactions with customers	85,781	131,726
debt securities	36,446	54,208
derivatives in the investment book	51,714	56,255
Current income from	3,659	1,996
equities and other variable-yield securities	1,144	1,341
other affiliates	2,340	97
companies measured at equity	176	58
investments in other companies	0	500
Income from operating lease and investment property	5,637	5,905
rental income investment property	3,932	3,578
income from operating lease contracts	1,705	2,328
rental income	6,296	8,265
depreciations	–4,591	–5,938
Interest and similar expenses of	–148,456	–224,733
deposits from credit institutions (including central banks)	–34,488	–53,943
deposits from customers	–20,025	–28,230
debts evidenced by certificates	–88,318	–119,387
subordinated liabilities	–3,769	–10,997
derivatives in the investment book	–1,856	–12,176
Net interest income	50,220	**56,050**

Net interest income according to IAS 39 categories

Euro thousand	1-3/2013	1-3/2012
Interest and similar income	198,676	280,783
Interest and similar income from	189,380	272,882
financial investments at fair value through profit or loss	1,025	2,523
derivatives in the investment book	51,714	56,255
financial investments not at fair value through profit or loss	136,641	214,104
financial investments available for sale	24,854	33,352
financial investments at amortised cost	104,158	169,215
of which financial lease	41,568	49,065
of which unwinding of risk provisions	503	0
financial investments held to maturity	7,630	11,537
Current income from	3,659	1,996
financial investments at fair value through profit or loss	233	0
financial investments available for sale	3,250	1,938
companies measured at equity	176	58
Operating lease operations (including investment property)	5,637	5,905
Interest and similar expenses of	–148,456	–224,733
derivatives in the investment book	–1,856	–12,176
financial investments at amortised cost	–146,600	–212,557
Net interest income	50,220	**56,050**

Risk provisions

Euro thousand	1-3/2013	1-3/2012
Allocation to risk provisions	–86,734	–56,000
Release of risk provisions	49,591	35,841
Allocation to provisions for risks	–6	–972
Release of provisions for risks	0	875
Direct write-offs of loans and advances	–184	–1,966
Income from loans and advances previously written off	227	60
Risk provisions	**–37,107**	**–22,162**

Net fee and commission income

Euro thousand	1-3/2013	1-3/2012
Fee and commission income from	19,736	28,590
lending operations	5,424	9,667
securities businesses	11,190	12,272
payment transactions	1,177	1,331
other banking services	1,945	5,320
Fee and commission expenses from	–8,861	–8,289
lending operations	–4,427	–4,784
securities businesses	–4,049	–3,069
payment transactions	–229	–229
other banking services	–156	–208
Net fee and commission income	**10,875**	**20,301**

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	1-3/2013	1-3/2012
Equity related transactions	1,005	1,013
Exchange rate related transactions	745	2,607
Interest rate related transactions	–8,916	4,866
Net trading income	**–7,166**	**8,485**

General administrative expenses

Euro thousand	1-3/2013	1-3/2012
Staff expenses	–33,296	–33,571
Other administrative expenses	–25,399	–29,006
Depreciation of fixed tangible and intangible assets	–2,773	–2,923
General administrative expenses	**–61,468**	**–65,500**

Other operating result

Euro thousand	1-3/2013	1-3/2012
Other operating income and expenses	75,841	6,949
Other taxes	–11,836	–13,171
Other operating result	**64,005**	**–6,222**

Other operating income and expenses are added up in the table above. In accordance with the agreement of 27 February 2012, the Republic of Austria provided VBAG with an asset guarantee on 15 March 2013, up to a maximum amount of euro 100 million. This asset guarantee is effective until 31 December 2015 at the latest. Under IAS/IFRS rules, a receivable arising from the assumption of bad debts must be discounted to the reporting date. The earn-out clause included in this asset guarantee constitutes a liability that also must be discounted to the relevant reporting date. The amounts from discounting the receivable and discounting the liability from the earn-out clause were offset and recognised under the other operating result, and totalled euro 65 million in the first quarter of 2013. The remaining amounts mostly are hire purchase transactions as well as operating expenses and insurance contributions passed on to customers. Offsetting these transactions contributes to a fairer economic view.

In other taxes the banking tax is included.

Income from financial investments

Euro thousand	1-3/2013	1-3/2012
Result from financial investments at fair value through profit or loss	**–385**	**1,303**
Result from fair value hedges	**–17,748**	**15,807**
Result from revaluation of underlying instruments	4,010	–22,663
Result from revaluation derivatives	–21,758	38,469
Result from valuation of other derivatives in the investment book	**–4,191**	**–5,460**
Exchange rate related transactions	6,721	1,497
Interest rate related transactions	–5,577	–32,827
Credit related transactions	341	33,152
Other transactions	–5,676	–7,282
Result from available for sale financial investments (including participations)	**310**	**18,193**
Realised gains/losses	459	18,291
Impairments	–149	–98
Result from loans & receivables financial investments	**4,247**	**4,113**
Realised gains/losses	4,265	4,225
Income from revaluation	0	20
Impairments	–18	–132
Result from held to maturity financial investments	**1,070**	**1,207**
Realised gains/losses	1,070	1,207
Result from assets for operating lease and investment property assets as well as other financial investments	**–113**	**163**
Realised gains/losses	447	198
Change in value investment properties	–560	–35
Result from financial investments	**–16,811**	**35,325**

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

In the first quarter of 2013, an amount of euro 397 thousand (1-3/2012: euro –3,338 thousand) previously recognised in the available for sale reserve was reclassified and shown in income statement.

Euro thousand	1-3/2013	1-3/2012
Result from financial investments, which are measured at fair value through profit and loss	**–22,884**	**11,615**
Financial instruments at fair value through profit or loss	–385	1,303
Fair value hedges	–17,748	15,807
Other derivatives in investment book	–4,191	–5,460
Investment property assets	–560	–35
Result from financial investments, which are not measured at fair value through profit and loss	**6,073**	**23,710**
Realised gains/losses	6,241	23,920
Available for sale financial investments	459	18,291
Loans & receivables financial investments	4,265	4,225
Held to maturity financial investments	1,070	1,207
Operating lease assets and other financial investments	447	198
Income from revaluation	0	20
Loans & receivables financial investments	0	20
Impairments	–167	–230
Available for sale financial investments	–149	–98
Loans & receivables financial investments	–18	–132
Income from financial investments	**–16,811**	**35,325**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	31 Mar 2013	31 Dec 2012
Loans and advances to credit institutions	6,587,469	7,270,203
Loans and advances to customers	9,937,714	10,055,734
Loans and advances to credit institutions and customers	**16,525,184**	**17,325,937**

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 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
As at 1 Jan 2013	**703**	**882,950**	**183,392**	**1,067,045**	**0**
Changes in the scope of consolidation	0	0	0	0	0
Currency translation	0	–2,764	–71	–2,835	0
Reclassification	0	959	0	959	0
Unwinding	0	–503	0	–503	0
Utilisation	0	–27,847	0	–27,847	0
Release	0	–31,677	–17,914	–49,591	0
Addition	0	86,733	1	86,734	0
As at 31 Mar 2013	**703**	**907,851**	**165,409**	**1,073,962**	**0**

The additions include an amount of euro 138 thousand (1-3/2012 euro 2,745 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 528,224 thousand (31 Dec 2012: euro 496,742 thousand).

Trading assets

Euro thousand	31 Mar 2013	31 Dec 2012
Debt securities	297,404	308,140
Equity and other variable-yield securities	29,574	30,352
Positive fair value from derivatives	2,546,399	2,235,735
equity related transactions	95,069	100,710
exchange rate related transactions	6,699	22,366
interest rate related transactions	2,444,630	2,112,659
Trading assets	**2,873,377**	**2,574,227**

Financial investments

Euro thousand	31 Mar 2013	31 Dec 2012
Financial investments at fair value through profit or loss	180,384	189,905
Debt securities	109,480	120,042
Equity and other variable-yield securities	70,904	69,863
Financial investments available for sale	2,944,512	3,209,084
Debt securities	2,848,680	3,106,941
Equity and other variable-yield securities	95,832	102,143
Financial investments loans & receivables	980,258	1,050,051
Financial investments held to maturity	989,897	1,112,018
Financial investments	**5,095,051**	**5,561,058**

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 2013	31 Dec 2012	1 Jul 2008
Carrying amount	451,558	472,558	1,140,363
Fair value	450,780	465,136	1,140,363
Available for sale reserve with reclassification	–26,380	–27,673	–79,177
Available for sale reserve without reclassification	–31,155	–38,228	–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 2013	31 Dec 2012
Investments in unconsolidated affiliates	11,525	11,304
Participating interests	61,578	60,544
Investments in other companies	372,566	372,714
Participations	**445,669**	**444,562**

Shares and participations in companies whose fair value cannot be determined without an unreasonable amount of effort are carried at cost net of any impairment. One company is listed on the stock exchange and is valued at its stock exchange price. Shares and participations with a carrying amount of euro 315,909 thousand were also measured at market value.

Other assets

Euro thousand	31 Mar 2013	31 Dec 2012
Deferred items	11,775	9,557
Other receivables and assets	375,332	197,250
Positive fair value from derivatives in the investment book	443,173	1,158,408
Other assets	**830,281**	**1,365,216**

Amounts owed to credit institutions

Euro thousand	31 Mar 2013	31 Dec 2012
Central banks	0	304,231
Other credit institutions	9,760,322	9,530,287
Amounts owed to credit institutions	**9,760,322**	**9,834,518**

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

Amounts owed to customers

Euro thousand	31 Mar 2013	31 Dec 2012
Savings deposits	200	200
Other deposits	2,423,285	2,541,928
Amounts owed to customers	**2,423,285**	**2,542,128**

The amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	31 Mar 2013	31 Dec 2012
Bond issues	8,361,576	9,934,621
Debts evidenced by certificates	**8,361,576**	**9,934,621**

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

Trading liabilities

Euro thousand	31 Mar 2013	31 Dec 2012
Negative fair value from derivatives		
equity related transactions	99,502	104,785
exchange rate related transactions	19,162	19,691
interest rate related transactions	2,137,321	1,948,642
Trading liabilities	**2,255,986**	**2,073,118**

Other liabilities

Euro thousand	31 Mar 2013	31 Dec 2012
Deferred items	12,338	11,716
Other liabilities	309,680	149,067
Negative fair value from derivatives in the investment book	426,186	895,911
Other liabilities	**748,204**	**1,056,694**

Subordinated liabilities

Euro thousand	31 Mar 2013	31 Dec 2012
Subordinated liabilities	361,647	362,114
Supplementary capital	263,562	258,604
Subordinated liabilities	**625,209**	**620,718**

Subordinated liabilities are measured at amortised cost. Book value of supplementary capital, also including PS 2008, was newly calculated by discounting the estimated future cash flows with the original effective interest rate in order to get the net present value according to IAS 39 AG 8.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 57,698 thousand (31 December 2012: euro 57,698 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:

Euro thousand	31 Mar 2013	31 Dec 2012
Subscribed capital (less treasury stocks)	1,035,631	1,035,633
Open reserves (including differential amounts and non-controlling interests)	700,391	1,049,266
Funds for general banking risks	10,435	10,376
Intangible assets	–15,978	–15,957
Net loss	–74,928	–353,076
Core capital (tier I capital) before deductions	1,655,551	1,726,242
Deductions from core capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–13,169	–17,614
Core capital (tier I capital) after deductions	1,642,382	1,708,628
Supplementary capital	265,538	265,538
Eligible subordinated liabilities	336,243	345,090
Hidden reserves pursuant to section 57 (1) Austrian Banking Act and Revaluation reserve other	74,122	74,144
Supplementary capital (tier II capital) before deductions	675,903	684,772
Deductions from supplementary capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–13,169	–17,614
Supplementary capital (tier II capital) after deductions	662,734	667,158
Deductions from own funds pursuant to section 103e no. 13 Austrian Banking Act	–3,467	–3,467
Short-term subordinated liabilities (tier III capital)	92,122	95,175
Eligible qualifying capital	**2,393,771**	**2,467,494**
Capital requirement	1,197,846	1,257,610
Surplus capital	1,195,925	1,209,884

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	12.90%	12.71%
Equity ratio (in relation to credit risk after deduction of capital requirements for market and operational risk)	17.39%	17.00%
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	10.97%	10.87%
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	15.99%	15.70%

Open reserves include the hybrid tier I capital totalling euro 57,698 thousand (31 December 2012: euro 57,698 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 2013	31 Dec 2012
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	12,734,551	13,443,438
Of which 8% minimum capital requirement for credit risk	1,018,764	1,075,475
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities - market risk	92,122	95,175
Capital requirement for operational risk	86,960	86,960
Total capital requirement	**1,197,846**	**1,257,610**

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. 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 the year 2013, 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 2013							
Liquid funds	0	0	0	0	513,031	513,031	513,031
Loans and advances to credit institutions	0	0	0	0	6,587,469	6,587,469	6,586,766
Loans and advances to customers	0	0	0	0	9,937,714	9,937,714	9,029,864
Trading assets	2,873,377	0	0	0	0	2,873,377	2,873,377
Financial investments	0	180,384	989,897	2,944,512	980,258	5,095,051	5,058,928
Participations	0	0	0	445,669	0	445,669	445,669
Derivatives – investment book	443,173	0	0	0	0	443,173	443,173
Financial assets total	**3,316,550**	**180,384**	**989,897**	**3,390,181**	**18,018,473**	**25,895,484**	**24,950,803**
Amounts owed to credit institutions	0	0	0	0	9,760,322	9,760,322	9,760,322
Amounts owed to customers	0	0	0	0	2,423,285	2,423,285	2,423,285
Debts evidenced by certificates	0	0	0	0	8,361,576	8,361,576	8,283,607
Trading liabilities	2,255,986	0	0	0	0	2,255,986	2,255,986
Derivatives – investment book	426,186	0	0	0	0	426,186	426,186
Subordinated liabilities	0	0	0	0	625,209	625,209	492,571
Financial liabilities total	**2,682,172**	**0**	**0**	**0**	**21,170,392**	**23,852,564**	**23,641,957**

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 2012							
Liquid funds	0	0	0	0	851,262	851,262	851,262
Loans and advances to credit institutions	0	0	0	0	7,270,203	7,270,203	7,269,500
Loans and advances to customers	0	0	0	0	10,055,734	10,055,734	9,172,784
Trading assets	2,574,227	0	0	0	0	2,574,227	2,574,227
Financial investments	0	189,905	1,112,018	3,209,084	1,050,051	5,561,058	5,505,106
Participations	0	0	0	444,562	0	444,562	444,562
Derivatives – investment book	1,158,408	0	0	0	0	1,158,408	1,158,408
Financial assets – total	**3,732,635**	**189,905**	**1,112,018**	**3,653,646**	**19,227,250**	**27,915,454**	**26,975,849**
Amounts owed to credit institutions	0	0	0	0	9,834,518	9,834,518	9,834,518
Amounts owed to customers	0	0	0	0	2,542,128	2,542,128	2,542,128
Debts evidenced by certificates	0	0	0	0	9,934,621	9,934,621	9,785,059
Trading liabilities	2,073,118	0	0	0	0	2,073,118	2,073,118
Derivatives – investment book	895,911	0	0	0	0	895,911	895,911
Subordinated liabilities	0	0	0	0	620,718	620,718	436,727
Financial liabilities – total	**2,969,029**	**0**	**0**	**0**	**22,931,985**	**25,901,014**	**25,567,460**

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	Level 3	Total
31 Mar 2013				
Financial assets				
Trading assets	85,204	2,788,174	0	2,873,377
Financial investments	2,554,066	484,366	67,842	3,106,274
at fair value through profit or loss	63,440	49,101	67,842	180,384
available for sale	2,490,626	435,264	0	2,925,890
Participations	8,808	3,500	312,409	324,717
Derivatives – investment book	0	443,173	0	443,173
Total	**2,648,078**	**3,719,213**	**380,251**	**6,747,541**
Financial liabilities				
Trading liabilities	0	2,255,986	0	2,255,986
Derivatives – investment book	0	426,186	0	426,186
Total	**0**	**2,682,172**	**0**	**2,682,172**

Euro thousand	Level 1	Level 2	Level 3	Total
31 Dec 2012				
Financial assets				
Trading assets	88,378	2,485,849	0	2,574,227
Financial investments	2,761,008	552,623	66,725	3,380,356
at fair value through profit or loss	48,815	74,365	66,725	189,905
available for sale	2,712,193	478,258	0	3,190,451
Participations	6,260	3,500	312,409	322,169
Derivatives – investment book	0	1,158,408	0	1,158,408
Total	**2,855,646**	**4,200,380**	**379,134**	**7,435,160**
Financial liabilities				
Trading liabilities	0	2,073,118	0	2,073,118
Derivatives – investment book	0	895,911	0	895,911
Total	**0**	**2,969,029**	**0**	**2,969,029**

Available for sale financial investments totalling euro 18,622 thousand (31 Dec 2012: euro 18,632 thousand) and participations totalling euro 120,952 thousand (31 Dec 2012: euro 122,393 thousand) are measured at amortised cost because their fair value cannot be determined without unreasonable effort.

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	
	1-3/2013	**1-3/2012**	**31 Mar 2013**	**31 Dec 2012**
Domestic	**1,129**	1,261	**1,130**	1,137
Foreign	**758**	2,832	**756**	775
Number of staff - total	**1,887**	**4,093**	**1,886**	**1,912**

The number of staff employed in disposal groups which is included in the table above is as follows

	Average number of staff		Number of staff at end of period	
	1-3/2013	**1-3/2012**	**31 Mar 2013**	**31 Dec 2012**
Banks CEE disposal group				
Domestic	**0**	39	**0**	0
Foreign	**0**	2,049	**0**	0
Number of staff Banks CEE	**0**	2,088	**0**	0

9) Branches

	31 Mar 2013	31 Dec 2012
Domestic	1	1
Foreign	1	1
Total	2	2

10) Related party disclosure

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Associated companies	Companies which exercise a significant influence on the parent as shareholders
31 Mar 2013				
Loans and advances to credit institutions	0	1,012,034	1,207,809	0
Loans and advances to customers	75,957	183,673	2,799	0
Risk provisions (–)	–13,733	–53,295	0	0
Debt securities	0	214,283	0	1,010,777
Amounts owed to credit institutions	0	1,114,567	67,512	0
Amounts owed to customers	10,986	28,007	2,294	215
Liabilites arising from guarantees	0	0	0	0
31 Dec 2012				
Loans and advances to credit institutions	0	1,138,256	1,390,082	52
Loans and advances to customers	78,967	186,923	2,799	0
Risk provisions (–)	–13,400	–48,934	0	0
Debt securities	0	214,217	0	959,990
Amounts owed to credit institutions	0	1,108,374	59,687	0
Amounts owed to customers	9,812	29,152	2,316	131
Liabilities arising from guarantees	2,542	0	0	0

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

The shareholders Volksbanken Holding eGen and Republic of Austria exercise a significant influence on Österreichische Volksbanken-AG.

As at 31 March 2013, loans and advances to credit institutions contain transactions with the Volksbank-Sector amounting to eur 4,430,543 thousand (31 Dec 2012: euro 4,933,668 thousand) and amounts owed to credit institutions include transactions with the Volksbank-Sector amounting to euro 5,775,643 thousand (31 Dec 2012: euro 5,337,289 thousand).

11) Segment reporting

Segment reporting was adjusted in the fourth quater 2012. The VBAG Group has now seven operating segments which correspond to the strategic business segments. Financing, Financial Markets/Investment Book and Other Operations segments constitute VBAG's core business. Non-core Business segment comprises Non-core Corporates, Non-core Real Estate, Non-core Retail as well as Non-core Investment Book/Other Operations. The comparative figures were restated accordingly. All other measurements and allocation procedures remain unchanged to the ones described in the annual report 2012.

The comparative figures as of 31 December 2012 were adjusted according to IAS 8 (Details see chapter 1).

Segment reporting by business segments

Euro thousand	Financing	Financial Markets/ Investment Book	Other Operations	Non-core Corporates	Non-core Real Estate	Non-core Retail	Non-core Investment Book/Other operations	Con-solidation	Total
Net interest income									
1-3/2013	11,434	–20,663	2,059	7,861	18,612	22,998	9,286	–1,367	50,220
1-3/2012	10,164	–19,007	1,334	14,525	16,890	24,901	10,843	–3,600	56,050
of which income from companies measured at equity									
1-3/2013	0	0	176	0	0	0	0	0	176
1-3/2012	0	0	58	0	0	0	0	0	58
Risk provisions									
1-3/2013	–2,241	–47	–491	–4,286	–29,192	–510	–340	0	–37,107
1-3/2012	–3,916	–43	713	–5,121	–3,876	–8,104	–1,816	0	–22,162
Net fee and commission income									
1-3/2013	1,649	8,230	791	300	83	1,380	–1,684	126	10,875
1-3/2012	2,062	9,508	7,238	1,172	302	1,393	755	–2,129	20,301
Net trading income									
1-3/2013	5	–7,446	1	35	148	98	–7	0	–7,166
1-3/2012	47	8,332	0	–9	–747	–197	1,060	0	8,485
General administrative expenses									
1-3/2013	–8,391	–15,878	–11,616	–5,165	–8,723	–12,421	–3,196	3,921	–61,468
1-3/2012	–9,414	–15,757	–11,011	–9,741	–7,200	–12,344	–4,843	4,812	–65,500
Other operating result									
1-3/2013	1,194	1,027	1,457	–130	346	1,822	60,970	–2,680	64,005
1-3/2012	1,824	70	–9,149	–70	537	1,848	3	–1,286	–6,222
Income from financial investments									
1-3/2013	–41	–19,951	0	1,189	–456	355	2,092	0	–16,811
1-3/2012	0	10,986	0	1,177	–1	266	22,898	0	35,325
Income from discontinued operation									
1-3/2013	0	0	0	0	0	0	0	0	0
1-3/2012	0	0	0	0	127	10,304	0	2,203	12,634
Result for the period before taxes									
1-3/2013	**3,610**	**–54,728**	**–7,801**	**–195**	**–19,182**	**13,722**	**67,122**	**0**	**2,548**
1-3/2012	**768**	**–5,911**	**–10,874**	**1,933**	**6,031**	**18,066**	**28,899**	**0**	**38,912**
Income taxes including taxes of discontinued operation									
1-3/2013	–443	13,677	–12,203	399	1,155	–2,656	–17,864	0	–17,936
1-3/2012	–105	1,895	5,430	–92	–1,061	–3,489	–7,453	0	–4,875
Result for the period after taxes									
1-3/2013	**3,166**	**–41,051**	**–20,004**	**204**	**–18,027**	**11,066**	**49,258**	**0**	**–15,387**
1-3/2012	**662**	**–4,016**	**–5,444**	**1,841**	**4,971**	**14,577**	**21,447**	**0**	**34,037**
Total assets									
31 Mar 2013	2,741,416	17,628,811	1,123,912	1,636,534	3,020,440	1,779,694	3,582,721	–5,743,939	25,769,589
31 Dec 2012	2,703,069	19,117,326	1,126,284	1,803,690	3,140,751	1,811,729	4,011,209	–6,091,582	27,622,476
Loans and advances to customers									
31 Mar 2013	2,699,391	1,572,031	11	1,733,395	2,981,851	1,771,171	450,727	–1,270,862	9,937,714
31 Dec 2012	2,647,729	1,450,159	11	1,917,531	3,091,380	1,819,179	547,395	–1,417,649	10,055,734
Companies measured at equity									
31 Mar 2013	0	0	7,972	0	0	0	0	0	7,972
31 Dec 2012	0	0	10,293	0	0	0	0	0	10,293
Amounts owed to customers									
31 Mar 2013	119,189	2,429,051	20	42,517	137,370	7,367	16,280	–328,510	2,423,285
31 Dec 2012	118,556	2,513,331	20	58,385	135,968	8,976	18,602	–311,711	2,542,128
Debts evidenced by certificates including subordinated liabilities									
31 Mar 2013	406,962	7,397,844	0	309,769	543,777	0	887,525	–559,092	8,986,785
31 Dec 2012	398,951	8,788,042	0	351,333	586,088	0	986,982	–556,056	10,555,339

Segment reporting by regional markets

Euro thousand	Austria	Central and Eastern Europe	Other markets	Total
Net interest income				
1-3/2013	9,888	25,896	14,436	50,220
1-3/2012	9,270	27,238	19,542	56,050
of which income from companies measured at equity				
1-3/2013	176	0	0	176
1-3/2012	58	0	0	58
Risk provisions				
1-3/2013	–36,594	–159	–353	–37,107
1-3/2012	–9,762	–8,332	–4,069	–22,162
Net fee and commission income				
1-3/2013	8,833	1,164	878	10,875
1-3/2012	17,895	1,368	1,038	20,301
Net trading income				
1-3/2013	–7,553	359	29	–7,166
1-3/2012	7,519	–357	1,323	8,485
General administrative expenses				
1-3/2013	–43,127	–12,434	–5,908	–61,468
1-3/2012	–44,351	–12,793	–8,356	–65,500
Other operating result				
1-3/2013	62,318	1,646	41	64,005
1-3/2012	–8,008	1,722	64	–6,222
Income from financial investments				
1-3/2013	–20,681	398	3,473	–16,811
1-3/2012	18,268	512	16,546	35,325
Income from discontinued operation				
1-3/2013	0	0	0	0
1-3/2012	0	12,634	0	12,634
Result for the period before taxes				
1-3/2013	–26,915	16,868	12,595	2,548
1-3/2012	**–9,168**	**21,992**	**26,088**	**38,912**

11) Quarterly financial data

Euro thousand	1-3/2013	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Net interest income	50,220	60,425	45,048	58,774	56,050
Risk provisions	–37,107	–166,201	–126,867	–51,685	–22,162
Net fee and commission income	10,875	12,678	7,613	17,615	20,301
Net trading income	–7,166	760	7,794	15,155	8,485
General administrative expenses	–61,468	–66,751	–61,869	–67,334	–65,500
Other operating result	64,005	51,786	736,573	–26,983	–6,222
Income from financial investments	–16,811	4,217	–15,951	28,783	35,325
Income from discontinued operation	0	0	0	36,012	12,634
Result for the period before taxes	**2,548**	**–103,084**	**592,341**	**10,337**	**38,912**
Income taxes	–17,936	–148,137	–1,333	–13,963	–2,823
Income taxes from discontinued operation	0	0	0	0	–2,051
Result for the period after taxes	**–15,387**	**–251,222**	**591,008**	**–3,627**	**34,037**
Result attributable to shareholders of the parent company	**–21,299**	**–256,570**	**584,594**	**–8,050**	**22,159**
Result attributable to non-controlling interest	5,912	5,348	6,413	4,424	11,878

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, 21 May 2013

Stephan Koren
Chairman of the Managing Board
Corporate Planning & Finance, Legal affairs,
HR Management, Marketing & Communication
Revision, Compliance Office

Michael Mendel
Deputy Chairman of the Managing Board
Risk management

Rainer Borns
Member of the Managing Board
Association of Volksbanks
Organisation/IT

Christoph Raninger
Member of the Managing Board
Market