VOLKSBANK AG

HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2013

KEY FIGURES OF VOLKSBANK AG

Euro million	30 Jun 2013	31 Dec 2012	31 Dec 2011
Statement of financial position [1]			
Total assets	**24,854**	**27,622**	**43,693**
Loans and advances to customers	9,156	10,056	12,717
Amounts owed to customers	2,394	2,542	2,713
Debts evidenced by certificates	7,903	9,935	13,452
Subordinated liabilities	627	621	1,729
Own funds			
Core capital (tier I) after deductions	1,624	1,709	2,305
Supplementary capital (tier II, tier III) after deductions	707	759	1,021
Eligible qualifiying capital	2,331	2,467	3,326
Assessment base credit risk	12,029	13,443	22,947
Capital requirement market risk	92	95	121
Capital requirement operational risk	87	87	144
Surplus capital	1,190	1,210	1,225
Core capital ratio [2]	**11.4 %**	**10.9 %**	**8.8 %**
Equity ratio [2]	**16.3 %**	**15.7 %**	**12.7 %**
Income statement	**1-6/2013**	**1-6/2012**	**1-6/2011**
Net interest income	72.8	114.8	239.7
Risk provisions	–27.3	–73.8	–84.1
Net fee and commission income	18.9	37.9	51.4
Net trading income	–26.8	23.6	17.2
General administrative expenses	–126.2	–132.8	–179.8
Other operating result	66.0	–33.2	0.2
Income from financial investments	–46.7	64.1	–42.2
Income from discontinued operation	15.3	48.6	13.9
Result before taxes	**–54.1**	**49.2**	**16.3**
Income taxes	–20.8	–18.8	5.7
Result after taxes	**–74.9**	**30.4**	**22.1**
Non-controlling interest	–12.5	–16.3	–15.1
Consolidated net income	**–87.4**	**14.1**	**7.0**
Key ratios [3]			
Operating cost-income-ratio	194.4 %	75.3 %	58.3 %
ROE before taxes	–11.5 %	0.3 %	0.3 %
ROE after taxes	–15.0 %	–7.4 %	1.9 %
ROE consolidated net income	–20.4 %	–25.1 %	1.2 %
ROE before taxes (regulatory)	–13.6 %	0.1 %	0.3 %
Resources			
Staff average	1.881	1.987	3.493
of which domestic	1.124	1.200	1.405
of which abroad	757	787	2.088
	30 Jun 2013	**31 Dec 2012**	**31 Dec 2011**
Staff at end of period	1.878	1.912	2.038
of which domestic	1.123	1.137	1.253
of which abroad	755	775	785
Number of sales outlets	2	2	2
of which domestic	1	1	1
of which abroad	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, net trading 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.

INTERIM MANAGEMENT REPORT AS AT 30 JUNE 2013

Report on the business development and the economic situation

Economic environment

Following several quarters of near stagnation, Austrian gross domestic product began to increase again in the second quarter. However, with growth of just 0.2%, the growth rate remained far below average both quarter-on-quarter and year-on-year. While exports of goods stimulated growth to a certain extent, tourism revenue in May and June was still down on the previous year, which was due in part to weak economic development in some European countries. In the first quarter of the year, the eurozone was still in a recession that had lasted 18 months. Although it returned to growth in the second quarter at a rate of 0.3% compared with the previous quarter, gross domestic product in the European Monetary Union remained significantly down year-on-year throughout the first six months of 2013.

The Austrian unemployment rate was the lowest in the eurozone throughout the period under review, but was still somewhat higher than in the same period last year. In June, it stood at 4.6%, down from 4.7% in May and 4.8% in April. Unemployment in the eurozone reached a new record high. In June, as in the previous three months, the seasonally adjusted unemployment rate stood at 12.1%. Greece and Spain recorded the highest rates, at 26.9% and 26.5% respectively in April 2013.

Inflation continued to decline. According to the Harmonised Index of Consumer Prices (HICP), inflation in Austria fell from 2.7% to 2.2% during the first half of the year. Inflation decreased to a lesser extent in the eurozone, but was lower overall. It remained below the European Central Bank's (ECB) inflation target of just under 2% throughout the reporting period. It began to rise again towards the end of the first six months of the year, but at 1.6% it only just reached the monetary policy target.

The ECB left its key interest rate unchanged at 0.75% in the first quarter, but cut it by 25 basis points in May to 0.50%. The interest rate for the marginal lending facility was cut to 1.0%, while the deposit rate was left at 0.0%. The three-month Euribor hardly changed at all throughout the first half of the year, remaining at an extraordinarily low level. It stood at 0.22% at the end of June.

Yields on government bonds which are regarded as safe showed a downward trend in the first four months of 2013 from an already low level. However, they then rose again significantly from May onwards. At the end of the second quarter, yields on Austrian ten-year government bonds stood at 2.18%, and 1.73% on German ten-year government bonds, which in each case is around 40 basis points higher than at the start of the year. Weak economic development in Europe and fears surrounding fiscal consolidation in eurozone peripheral countries initially dominated market development. As the first six months of the year went on, attention then started to turn to the comparatively robust economic situation in the USA and, as a result, the expectation that the US Federal Reserve's bond-buying programme would gradually come to an end.

Economic development in Central and South Eastern Europe was inconsistent in the first six months of the year, but most countries at least returned to positive quarterly growth rates in the second quarter. This was the case in Romania from as early as the final quarter of 2012. With quarterly growth rates of 0.3% during both quarters in the first six months of 2013, growth momentum was somewhat weaker than at the end of 2012. The annual growth rate fell from 2.2% in the first quarter to 1.2% in the second quarter, but was still clearly positive. Real economic output was 1.7% higher than that achieved in the first half of 2012. Despite satisfactory macroeconomic development, the unemployment rate rose steadily over the first six months of the year, from 7.0% in January to 7.6% in June. Growth components were not yet available for the second quarter as this report went to press. However, weak retail sales and higher unemployment indicate that the dependency of growth on exports as seen in the first quarter continued during the remainder of the first six months of the year. The rate of inflation fell slightly, from 5.1% in January to 4.5% in June 2013 according to the HICP. The leu was relatively stable, closing the first half of the year only marginally lower than the level it started at, despite intermittent weak phases.

Business development and material events in the first sixth month of 2013

VBAG's role and responsibilities have permanently changed as a result of its partial nationalisation in April 2012, the resolution as regards section 30a of the Austrian Banking Act (BWG) and the banking association agreement based upon this. VBAG is being profoundly restructured at the moment, meaning that the bank's own business in Austria and abroad has to be wound down or sold. The Managing Board felt and still feels that it is imperative to push ahead with restructuring as quickly and rigorously as possible. This will enable the Bank not only to minimise the resulting costs but also, crucially, to regain its viability as quickly as possible, in order to shape both its future and that of the sector.

Significant restructuring measures had already been implemented up to 30 June 2013. VBAG's Board of Management assumes that winding-down measures still outstanding will in all likelihood be carried out.

Financial position and Group results for the first half year of 2013

The VBAG Group result before taxes came to euro −54 million. The consolidated result after taxes and minority interests stood at euro −87 million.

Net interest income for the first half of 2013 amounted to euro 73 million. Compared with the previous year, net interest income declined by euro 42 million, which is primarily due to effects from at equity valuations of euro −60 million due to a planned capital measure at Volksbank Romania. Net interest income in VBAG Group's core business , however, increased slightly.

Net fee and commission income totalled euro 19 million in the reporting period, representing a decline of euro 19 million compared with the previous period. On the one hand, the decline is the result of a change in the way income from cost allocations in the Other Operations segment is recognised, which has been recorded under other operating income since the fourth quarter of 2012. On the other hand, a guarantee commission expense of euro 5 million for the Federal Government's asset guarantee has been included for the first time in the net fee and commission income. In addition, a commission expense of around euro 2 million for the covered bond programme and for holding a liquidity cushion has been reported in this position.

A decline on the comparable period was also posted in net trading income, which is mainly attributable to valuation losses resulting from ineffective hedge relations. VBAG is currently working on improving hedge relations in order to improve the efficiency of hedges. Net trading income amounted to euro −27 million in the first six months of 2013.

As a result of VBAG's cost reduction program, general administrative expenses dropped by euro 7 million to euro 126 million. The number of staff fell by 34 compared with the end of 2012 and now stands at 1,878. Of these, 755 are employed outside Austria.

Other operating income for the first half year of 2013 came to euro 66 million. An asset guarantee provided by the Republic of Austria on 15 March 2013 for a maximum amount of euro 100 million has been recorded for the first time in the period under review. This asset guarantee and the earn-out clause included in the guarantee are reflected in the other operating result with an amount of euro 65 million. Further details can be found in this report's Notes. The year-on-year change in the other operating result is also due to a provision of euro 19 million regarding an impending liability for investment income taxes which was recognized in last year's comparable period.

Risk provisions for the first half of 2013 stood at euro −27 million. This represents a decline of euro 46 million compared with the previous year's figure of euro −74 million. Main driver of this decline is a drop in specific provisions in the Non-core Real Estate segment. In the Non-core Corporates segment, however, rising defaults led to an increase in specific provisions in the period under review. As a result of a expected decrease of impairments, an amount of euro 35 million could be released from portfolio-based allowances, which partly offset specific provisions in the segments.

Income from financial investments came to euro −47 million in the reporting period, representing a year-on-year decline of euro 111 million. A valuation loss of euro −22 million resulting from a surplus of effective fair value hedges was recorded (in the comparative period a positive result of EUR 56 million was reported). A loss of euro −22 million was posted in the reporting period as a result of the valuation of guarantees of capital-guaranteed funds. In the same period of the previous year, income of euro 18 million was recognised for the sale of VICTORIA Volksbanken insurance companies in the first quarter of 2012.

Tax expenses largely resulted from deferred tax liabilities on valuation differences between tax carrying amounts and carrying amounts under IFRS, especially as regards the valuation of derivatives and securities and asset guarantee recognition. No deferred tax assets were recognised for the negative results arising from the single-entity financial statements of the first half year 2013.

A purchase price adjustment agreed for with respect to the sale of Selini GmbH and the Vremena Goda project, which was carried at equity, was concluded in the second quarter of 2013 and is shown as income from discontinued operation in the amount of euro 15 million. Further details regarding the purchase price adjustment can be found in the Notes. The positive deconsolidation result of euro 13 million and income for the period from 1 January to 12 April 2012 of euro 0.1 million were recognised in the same period of the previous year. Closing took place on 12 April 2012.

The sale of VBI AG and its subsidiaries closed on 15 February 2012. The positive deconsolidation result of euro 15 million and income for the period from 1 January to 15 February 2012 of euro 21 million (including consolidation) were recognised as income from discontinued operation in the same period of the previous year.

Statement of financial position and own funds

Total assets stood at euro 24.9 billion as at 30 June 2013, down by euro 2.8 billion compared with the end of 2012.

Loans and advances to credit institutions decreased in the comparable period, which is mainly a result of repayments of refinancing by Volksbank Romania.

Loans and advances to customers fell by euro 0.9 billion amounting to euro 9.1 billion as at 30 June 2013. Declines were recorded primarily in Non-core Business areas. Loans in an amount of euro 0.4 billion were reclassified as assets held for sale in the first half of 2013.

Compared to year-end 2012, financial investments could be reduced through sales by almost euro 1 billion.

The valuation of derivatives allocated to trading assets or other assets led to a reduction of total assets of almost euro 0.9 billion compared to the end of 2012.

In addition to buildings used by the Group that are to be sold in the second half of 2013, assets classified as held for sale also include loans whose sale has already been contractually agreed or which were sold after the reporting date.

At euro 2.4 billion, amounts owed to customers decreased slightly compared with the end of 2012.

Debts evidenced by certificates amounted to euro 7.9 billion as at 30 June 2013, down by euro 2 billion compared with 31 December 2012. This decline is essentially attributable to repayments; primarily the repayment of the last issue guaranteed by the Federal Government in the amount of euro 1 billion.

Trading liabilities and other liabilities decreased by EUR 0.7 billion as a result of valuations of derivatives.

VBAG Group's own funds amounted to euro 2.3 billion as at 30 June 2013. The bank reduced its risk-weighted assets (RWAs) by euro 1.5 billion to euro 14.3 billion (RWA total risk) in the same period of the previous year, which was primarily attributable to successful measures taken to wind down operations in Non-core Corporates and Non-core Real Estate as well as investment book items. VBAG has exceeded the European Commission's wind-down targets thanks to these winding-down measures. The tier I ratio in relation to total risk was 11.4%, up from 10.9% on 31 December 2012. The equity ratio in relation to total risk stood at 16.3%, up from 15.7% on 31 December 2012. Eligible own funds exceeded the regulatory requirement by just under euro 1.2 billion.

Risks and uncertainties

Economic environment

Most early indicators suggest that the economic environment will improve over the next few months, but that it will remain prone to disruption. Both the IMF and OECD lowered their economic growth forecasts during the first six months of the year, although data for the second quarter has proved to be stronger than many had initially expected. With forecasts of 0.6% and 0.4% respectively, the two economic research institutes IHS and WIFO have also revised down their growth forecasts for Austria for 2013. Owing to the weak economic outlook and low inflationary risks, the ECB has announced that it will not be raising its key interest rate for a long time yet. In light of the expected end to the US Federal Reserve's bond-buying programme, longer-term interest rates could rise further, but setbacks to this are also quite possible due to factors such as geopolitical uncertainties.

Pressure on the Romanian leu has abated further since the government agreed a new standby arrangement and economic policy programme with the International Monetary Fund at the end of July and the rate of inflation gradually began to retreat. The National Bank of Romania cut its key interest rate by 75 basis points during July and August to a new low of 4.5%, which is likely to bolster economic growth prospects for the current year. In light of weak domestic demand and higher unemployment, it remains to be seen whether house prices will continue to recover during the rest of the year as they did during the first quarter.

Business development

VBAG Group is undergoing an extensive restructuring process. Under the conditions set out 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. In the second half year, the focus will be on the conclusion of planned or already contractually agreed sales of assets as well as on the implementation of the sales process for VBLI Group and Volksbank Malta. Due not least to the difficult economic environment and resulting haircuts on the rundown portfolio there still will be a negative impact on results. The Group is therefore expected to post a clearly negative result at the end of 2013 as well.

Material risks and uncertainties

Based on requirements set out in the restructuring agreement with the Republic of Austria dated 26 April 2012 and the European Commission's decree of 19 September 2012 based upon this, VBAG is required to dispose of key business areas and holdings in Austria and abroad over the coming years.

Previous experience in Austria and abroad has shown that these wind-down processes often involve higher costs than were foreseeable before the event. VBAGs non-core business segments are exposed to this uncertainty.

VBAG has a substantial real estate portfolio in Austria and Central and Eastern Europe. In 2011 and 2012, this portfolio was impaired by euro 92 million and euro 73 million respectively. In addition to credit risks, valuation haircuts may also be imposed as a result of spread risks if parts of this portfolio are sold quickly.

VBAG holds a 51% stake in Volksbank Romania S.A., the entire carrying amount of VB Romania was written off in 2011. Substantial risk provisions were recognized by Volksbank Romania in the current business year following revaluations of real estate collateral carried out in the first half of 2013 and due to impending legal risks. Together with the equity planning reflecting Basel III regulation, this resulted in an increased equity capital requirement.

The owners of VB Romania plan a capital increase in an amount of euro 120 million in the second half year of 2013 in order to stabilize equity ratios. To cover VBAG's share, a provision of euro 60 million was recognized in VBAG's interim report as of 30 June 2013.

As of 30 June 2013, refinancing of euro 1.1 billion provided by VBAG to VB Romania was still outstanding.

Currently, medium-term planning is being drawn up for 2014 and the following years. There is currently no sound evidence that would give reason to impair the refinancing, even though there are conceivable scenarios given the difficult and volatile macroeconomic environment that could impact the carrying amount of the refinancing provided by VBAG to VB RO.
With the conclusion of VB Romania's plans for 2014 onwards and with a growing understanding of the way the market environment is developing as regards the sale of VB Romania, which must be completed by no later than 31 December 2015, a sharpening of the risk profile is to be expected.

Regulators at European and national level are discussing capital requirements that would go beyond minimum statutory requirements set out by Basel II and Basel III. Any additional capital requirements would impact VBAG even further.

FINANCING SEGMENT

The Financing segment comprises the business areas Commercial Business – Syndicate Services and Structured Financing (focusing on subsidies and export finance), as well as VB Leasing Finanzierungsgesellschaft m.b.H. and VB Factoring Bank AG.

The Financing segment is responsible for supporting the regional Volksbanks in the management of existing customer relationships and for providing advice and support in relation to new business opportunities.

Segment results

The Financing segment's result before taxes came to euro 6.7 million, which represents a year-on-year decline of euro 3.2 million. The rise in net interest income did not fully offset the slight increase in risk provisions and the rise in general administrative expenses.

Commercial Business – Syndicate Services

The Commercial Business area with its Syndicate Services and Structured Financing departments repositioned itself in the second quarter of 2013 in order to ensure an efficient, professional and service-oriented structure that allows it to provide an optimal level of service to the Volksbanks. The area's core task is to support Volksbanks in their commercial banking marketing activities, in the servicing of existing customers and in gaining new customers.

The Syndicate Services area can be seen as the first point of contact for Volksbanks on commercial banking matters – true to the principle of "one face to the customer/market" – especially as regards business with small and medium-sized enterprises (SMEs) in Austria, and in doing so is committed to need-based solutions.

Owing to extraordinary repayments (on long-term loans in particular), Syndicate Services recorded a slight decline in the volume of loans in the second quarter. However, there was further improvement in interest margins for both existing and new business.

Structured Financing

Subsidies and export finance also core business areas. New financing comes exclusively from local Volksbanks, they thus support Austrian SMEs in their growth and underline their relevance in regional economic policy.

The Structured Financing area assists the Syndicated Services department in the context of subsidies and export finance, and is also responsible for the day-to-day management of these products in the Non-core Business segment. In this unit, specific know-how and experience in structured export and project financing are now combined in order to minimise risks for the Volksbanks and their customers and to allow the implementation of complex finance products.

Development of selected product groups

The total volume of European Recovery Programme (ERP) loans rose from around euro 159 million in the first quarter of the year to around euro 165 million as at 30 June 2013. The volume is down on the previous year (euro 208 million), which can mainly be attributed to the new focus on Volksbanks' small and medium-sized customers who apply for low volumes of credit. However, the number of loans continued to rise significantly in the period under review, despite large scheduled and unscheduled repayments in the Non-core Business segment, increasing from 400 to 464 ERP loans (including 334 small ERP loans in the first half of 2013, compared with 256 as at 30 June 2012). 66 ERP loans have already been added – including 49 small ERP loans – with a volume of around euro 15.8 million.

As at the end of the first six months of 2013, short and long-term financing with OeKB had, as expected, declined to around euro 256 million, compared with around euro 427 million in the first half of 2012, which can also be attributed to the strategic focus on SMEs, which now transact this type of financing solely via the export fund.

Amounts owed under the Austrian export fund for SME customers in the Volksbank sector stood at around euro 42 million, which is already above last year's level (euro 38 million).

Soft loan exposure remained constant year-on-year at around euro 55 million (11 loans).

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

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

VB Leasing Finanzierungsgesellschaft's results for the first half of 2013 are pleasing, but are slightly down on last year owing to a sharp rise in refinancing costs. The volume of new business stood at euro 165 million in the reporting period, which equates to more than 9,100 contracts. This represents a moderate increase compared with the first six months of 2012. A balance between risk and reward, as well as dealing with customers and business partners in an efficient and trusting way, constitute key success factors. VB Leasing is currently ranked sixth among Austria's moveable goods leasing providers.

The Volksbank sector as a sales channel

VB Leasing Finanzierungsgesellschaft's sales activities in the 2013 financial year are again focusing on the Volksbank sector. Marketing activities carried out as part of the campaign aimed at Volksbanks launched back in 2011 will continue. As a result of this approach, there was a 6% increase in the number of contracts and a 20% increase in commission generated via this sales channel in the first half of 2013 compared with the same period last year.

VB Factoring Bank AG

At the end of the first half of the year, at euro 735.9 million the factoring volume was 6% down on the comparable period, but 8% higher than expected. As a result of the sector's new strategic focus on SMEs, a specific factoring model is being developed for this target group. Further projects include redesigning the website using a module design and rolling out a completely revamped online system.

Outlook for the Financing segment

Our aim in the second half of the year, in cooperation with the Volksbanks, is to focus on identifying Volksbanks' and their customers' needs and to develop measures to generate business on this basis.

Demand for subsidised credit from the Volksbanks' SME customers is very large in the absence of alternatives on the capital market. Therefore, a volume comparable to that of 2012 is to be expected for 2013 as a whole. We are planning to meet the trend towards alternative SME financing by developing specific financing solutions for Austrian SMEs.

In the case of short and long-term OeKB financing, another reduction in volume due to the strategic focus on SMEs is to be expected.

VB Leasing Finanzierungsgesellschaft m.b.H. will continue to pursue its consistent risk policy in respect of creditworthiness, asset security and risk diversification with particular attention paid to a risk-adequate pricing policy.

Sales activities will continue to focus on the Volksbank sector in the 2013 financial year. Business with the sector is to be promoted further through workshops and a greater presence in media of the Volksbanks.

VB Factoring expects the business volume to decline further over the remainder of the 2013 financial year.

FINANCIAL MARKETS SEGMENT

In the course of the reorganisation and reorientation of the Market division, the Financial Markets segment was also restructured in the first half of 2013 in order to optimize the service and support provided by VBAG to the regional Volksbanks and to institutional customers.

The Financial Markets segment comprises the organisational units Financial Markets & Group Treasury and Capital Markets Products & Sales as well as the Strategy & Capital Market Measures staff unit, Immo Kapitalanlage AG and Direktbank LiveBANK. The Financial Markets segment is the competence centre for all financial market services, its mission is to advise and support the Volksbanks and VBAG's institutional customers.

Segment results

The Financial Markets segment's result before taxes stood at euro −90.2 million in the first six months of 2013. Net interest income improved year-on-year, whereas net trading income was down on the previous period, which is mainly attributable to valuation losses owing to ineffective hedge relations. A valuation loss of euro -22 million was recorded in income from financial investments as a result of the surplus from effective fair value hedges. Furthermore a loss of euro −22 million was posted due to the valuation of guarantees for capital-guaranteed funds during the reporting period.

Financial Markets & Group Treasury

The newly created Financial Markets & Group Treasury area is responsible for central aspects of general bank management at VBAG and in the Association of Volksbanks. The individual departments' core tasks are liquidity management, interest rate risk management and market execution, as well as the analysis of countries, banks, insurance companies and other businesses.

General capital market conditions

Capital markets continued to be characterised by high volatility in the first half of 2013. Statements from central bank representatives and political turbulence in countries on the European periphery led to sudden changes in interest rates and risk premiums, as well as significant restrictions in the liquidity of securities.

Marked fluctuations in bond prices, particularly those of issuers in Southern Europe, were accompanied by high demand for safe assets. As well as government and corporate bonds, covered bank bonds from issuers outside the European periphery were especially in demand. Owing to the low issue volume in the first half of the year, as well as to increasing demand from banks as a result of new liquidity requirements, yields on this asset class have fallen sharply.

Financial Markets Execution

The Financial Markets Execution business area is an intermediary for money and capital market transactions of VBAG and the Association of Volksbanks. Its main tasks are the procurement of short and long-term liquidity, interest rate and currency risk management, order management for the Volksbanks, market execution and hedging activities.

In the current low interest rate environment, an optimised management of VBAG's short-term liquidity, which is carried out in cooperation with the liquidity management team, helped to maintain a stable liquidity base.

Thanks to a good second quarter, the order management transaction volume was slightly above that of the same period last year. A cooperation agreement regarding stock exchange trading and third-party funds was finalised with Bankhaus Schelhammer & Schattera in the first quarter of 2013, and the technical connection was successfully completed in May.

ALM Liquidity Management

As central organisation, VBAG is responsible for centralised regulatory and economic liquidity management for the entire Association of Volksbanks. This is performed by the ALM Liquidity Management department and involves offsetting short-term liquidity peaks, the definition of the structural and strategic orientation and a transparent allocation of liquidity costs. This ensures optimal liquidity in VBAG Group and the Association of Volksbanks as a whole on a consistent basis.

VBAG's liquidity buffer is in line with the budgeted figure. Taking into account cash holdings, the liquidity cushion stood at around euro 3.5 billion as at 30 June 2013. Close cooperation with regional Volksbanks and the current collateral programme ensure that regulatory requirements under section 30a of the Austrian Banking Act are met and will also further strengthen the liquidity buffer.

ALM Investment Book

The strategic investment book contains all securities holdings required for regulatory and banking purposes of around euro 4.1 billion, as well as other capital market investments totalling around euro 1.1 billion. The positive securitisation environment in the USA and the favourable European capital market situation were exploited in order to continue winding down selected investment book items, taking into account risk, return and the effect on risk-weighted assets.

In providing services to the Volksbanks as regards their asset/liability management and own business, the focus primarily was on liquidity and investment opportunities. Ever-narrowing credit spreads and low interest rates are leading to historically low yields in some areas of the bond market, which is in turn reflected in an increased need for support and advice.

Banks & Credit Markets

The Banks & Credit Markets department is the Group's competence centre for the fundamental analytical assessment of bank and company risks, focusing on the capital market. It is the central point of contact with regard to the granting of credit lines for companies and banks in the strategic investment book or within the context of Volksbanks' own business investments. Relationship management for banks, institutional customers and VBAG subsidiaries completes the range of services on offer.

Approximately half of the unsecured bank and company risks in the strategic investment book, which are managed by Banks & Credit Markets and total around euro 1.8 billion, can be utilised for regulatory purposes and banking operations. Any remaining assets – essentially bonds with a favourable maturity profile – are being wound down, taking into account risk/return aspects and limiting the impact on income.

Capital Markets Products & Sales

Following the restructuring measures that were implemented in the second quarter of 2013, all VBAG capital market and financial products (under the brand "Volksbank Investments"), treasury services for the regional Volksbanks and their customers (under the brand "Treasury Solutions") as well as all sales activities have been combined in the Capital Markets Products & Sales business area. The pooling of the units Sales Banks, Institutional Sales and Treasury Solutions makes a realisation of synergies possible. A "one face to the customer" principle guarantees swift reactions allowing for a further enhancement of the quality of services provided to the Volksbanks and VBAG's institutional customers.

Attractive investment products in a low interest rates environment

Savers' and investors' orientation towards safety, which is reflected in the large proportion of funding available at short notice, continued in the first half of 2013. Investment markets were also very much dominated by low interest rates. Asset managers are therefore confronted with the problem that, as a result of inflation, low yields on safe investments are leading to negative real rates of return. As such, providing Volksbanks with investment products that enable attractive investments, even in times of low interest rates, remained a key priority during the reporting period. Indeed, very positive results were achieved in a short space of time with "low interest rate alternatives" launched at the turn of the year 2012/2013 – recommended share funds achieved performance of 10% on average.

Selective investments in certain emerging markets are attractive in the current interest rate environment. Attention was therefore also paid to providing suitable emerging markets product solutions. Volksbank Investments has internationally recognised expertise in the emerging markets segment, for example in the field of Asia-Pacific investment markets and Eastern Europe. Covering the entire spectrum of customers' risk appetite levels is a top priority – products range from certificates with capital protection, to bond funds, through to equity investments.

Volksbank Investments products in the first half of 2013

The volume of assets under management of products summarised under the "Volksbank Investments" brand (funds, certificates, wealth management, foreign assets) fell from euro 7.1 billion to euro 6.2 billion in the first half of the year. The main reason for this – besides sharper declines in certificate volumes in June 2013 – was an expiring wealth management mandate.

Fund volume in line with overall market development

At euro 2.65 billion, the fund volume remained almost unchanged in the first six months of the reporting year, which also reflects overall market development. Whereas bond and mixed funds declined slightly, the volume of equity funds rose in the first half year. In terms of categories of investor, special funds achieved significant growth.

Apart from Austro-Garant (euro 311 million), the largest individual funds were bond funds such as the VB Mündel Rent (euro 198 million) and Volksbank-Mündel-Flex, whose volume has risen from euro 30 million to euro 107 million over the last 18 months. Flex products are based on a special rule-based system to manage interest rate risk of an euro bond portfolio. The modified duration is reduced to money market levels using derivatives, thereby hedging the portfolio against interest rate-induced price losses in phases of rising interest rates. In a scenario of falling interest rates, Flex products participate in the development of their underlying base portfolio (government bonds, secured bonds, etc.).

Certificate volumes decrease on the market and at Volksbank Investments

The Austrian certificate market declined markedly in the first half of 2013, especially at the end of the second quarter; the volume of certificates issued by members of Zertifikate Forum Austria (excluding interest rate products) decreased from euro 5.6 billion at the end of 2012 to just under euro 5.3 billion as at 30 June 2013.

It is a varied picture when it comes to the development of Volksbank Investments certificates in the first half of the year. Although sales were considerably higher than in the previous year, particularly in the first quarter, the large number of certificates maturing in the first few months of the year could not been replaced. This led to a decline in the volume of certificates of more than 13% to euro 1.5 billion. Around three quarters of all certificates sold in the first two quarters of 2013 provide capital protection.

Volksbanks' market share of the certificate market is about 29%, and over 33% in the case of guarantee certificates.

New wealth management product developed for private customers

In the area of wealth management, a new product, "investment strategies", was developed in the first quarter of 2013 and brought onto the market over the course of the second quarter. This product aims to provide the Volksbanks with additional support in the area of private banking and allows defined core portfolios to be expanded at short notice. This offers Volksbanks' customers risk-adjusted access to opportunities on the capital market, for example via guarantee and partial protection certificates.

Wealth management in the first half year of 2013

After a previously steady increase in volume in the area of wealth management, the volume declined to around euro 1.9 billion in the second quarter – compared with euro 2.3 billion in the first – due to an expiring wealth management mandate.

On the basis of Volksbank Investments' extensive expertise in institutional wealth management, work is taking place together with regional Volksbanks to acquire new customers. This is targeted at companies – including SMEs – as well as institutions such as chambers, pension and provision funds, and private foundations.

Immo Kapitalanlage AG

Immo Kapitalanlage AG manages an open-ended real estate fund, <immofonds1>, which has a volume of euro 268 million. The real estate portfolio is highly diversified and primarily consists of commercial property in Austria and Germany. The economic solidity of these countries guarantees stable values and sustainable rental income from the fund's properties.

Private small investors in particular invest in <immofonds1>. Demand for investment in tangible assets and the need for security when investing money are still particularly pronounced. Furthermore, owing to the low level of interest rates, real estate funds offer attractive returns compared with investments presenting comparable risk, which has led to an ongoing high level of interest from investors in real estate funds.

Outlook for the Financial Markets segment

In its role as a "face to the market", the Financial Markets & Group Treasury area will continue to focus on professional pricing that is in line with the market in the second half of 2013. Intensive cooperation with VBAG's sales units will also be a key priority in order to provide regional Volksbanks with the best possible support. Precise liquidity control will be another point of focus in the coming months.

Financial Markets & Group Treasury's core competencies of managing liquidity and the strategic investment book, advising the Volksbanks in the field of asset/liability management, as well as the management of interest rate and foreign currency risks and the analytical assessment of bank and company risks, form the basis for ensuring the business area's success both now and in the future.

The European Central Bank has confirmed that key interest rates will remain at current levels, if not lower, for an extended period. The Capital Markets Products & Sales area will therefore continue to offer products that provide attractive investment opportunities, even in an environment of low interest rates.

In terms of bonds, recent major political events, such as developments in Cyprus, have shown that many investors rapidly withdraw to a safe haven when necessary – to German government bonds in particular. An escalation of the crisis in Slovenia and the tense situation in France represent current sources of risk, in addition to the unstable situation in European peripheral countries. Broad diversification among a large number of issuers remains a top priority in the corporate sector, mainly owing to risk considerations. Positive real returns are achievable in emerging market bonds.

Immo Kapitalanlage AG continues to expect a positive sales development. The conservative orientation of <immofonds 1> towards Austria and Germany contributes to the fund's appeal.

The Financial Markets segment as a whole will continue to focus on optimally fulfilling all tasks arising from VBAG's role as the central organisation of the Association of Volksbanks.

NON-CORE BUSINESS SEGMENT

Non-core Business is subdivided into four segments:
- Non-core Corporates
- Non-core Real Estate
- Non-core Retail
- Non-core Investment Book/Other operations

Non-core Corporates
This segment comprises the following business areas: Corporate Customers Austria, Leveraged Finance Austria/CEE/Germany, International Project Finance and Renewable Energy, and activities in the Private Equity – Fund Investments business area.

The segment's main task is to focus on winding down portfolios from the former Corporate Finance and Corporate Banking business areas, with the aim of improving the bank's risk-weighted assets (RWA) and liquidity situation. This is taking place in accordance with a plan approved by national and international supervisory bodies, which, in critical circumstances, will be partly adjusted to reflect the needs of customers.

Segment result
The segment's result before taxes came to euro 7.2 million. Restructuring had a significant impact on net interest income and led to a reduction in general administrative expenses. Net interest income fell by euro 16.6 million and general administrative expenses by euro 10.8 million.

Corporate Customers Austria/Leveraged Finance Austria/CEE/Germany
Further progress was made in the project launched back in 2012 to reduce exposures and ease the burden of RWAs. This can be attributed to the good liquidity situation of numerous corporate customers and the ongoing high level of interest shown by banks in taking on refinancing.

The Frankfurt branch was closed at the end of 2012 and its portfolio sold in two stages. Follow-up work to this end was continued in the first half of 2013.

International Project Finance and Renewable Energy
Besides actively managing the winding down of the existing portfolio, the segment was also successful in selling individual transactions on the secondary market in the first half of 2013.

Private Equity
Measures to release capital no longer required from subsidiaries and structural simplifications had already been largely implemented in 2012. Further capital has been released in 2013 and the run-down process for the former Investkredit investment bank has been initiated. No more active business is being undertaken. In the second quarter, a decision was made to consider selling the Private Equity portfolio; consequently, an invitation to tender was initiated for consultancy within the framework of a potential sale process.

Non-core Real Estate

The Non-core Real Estate segment comprises commercial real estate financing carried out by VBAG, real estate lease financing, associated work-out activities (the sale of property from loans and lease financing by REWO Unternehmensverwaltung GmbH) and VB Real Estate Services GmbH's asset management activities. In line with the strategy and objective of winding down all divisions in a structured way that preserves value, further measures were implemented to this end.

Segment results
The result before taxes came to euro -8.8 million. Risk provisions fell significantly compared with the previous period. Net interest income was down slightly as a result of restructuring, while general administrative expenses were up slightly on the previous period. The purchase price adjustment of euro +15.3 million agreed for the sale of Selini GmbH and the Vremena Goda project, which is measured at equity, is shown as income from discontinued operation.

Real estate financing
VBAG's real estate financing accounts for more than two-thirds of business volume. The bank has been active in this area for years, providing long-term financing for commercial real estate projects. Real estate financing is concentrated in the Czech Republic, Romania, Poland, Austria and Hungary. Loans totalling around euro 158 million were redeemed early in the first half of 2013 thanks to active

wind-down activities. This resulted in a reduction in RWAs of around euro 96 million. In addition, a contract was signed with RZB Group in the second quarter of 2013 to take over a portfolio of financings.

Leasing and Asset Management

In addition to natural maturities in the real estate lease portfolio, real estate lease volumes declined by around euro 52 million as a result of early contract terminations and associated property sales. Domestic and foreign projects with a volume of around euro 100 million are currently in the process of being sold. In addition, negotiations are also taking place over the sale of properties and holdings.

As regards the sale of the shares in Selini Holding GmbH (Vremena Goda shopping centre project in Moscow) that took place in 2012, the outstanding purchase price component in respect of the earn-out clause has now been defined, around euro 15 million was received.

Other real estate projects in the Czech Republic, Romania and Bulgaria were also sold, as was a holding in a property developer listed on the London stock exchange.

Non-core Retail

The Non-core Retail segment encompasses VB-Leasing International Group's moveable goods leasing operations in Central and Eastern Europe, as well as Volksbank Romania S.A.'s business activities.

Segment results

The segment's result before taxes was euro -33.4 million. Net interest income contained a provision of euro 60 million in the period under review for a planned capital measure at Volksbank Romania. Risk cost fell compared with the previous period and general administrative expenses also decreased slightly. Income from the VBI sub-group was recognised as income from discontinued operation in the same period of the previous year.

VB-Leasing International Holding GmbH (VBLI)

Despite the fact that the situation on Central and Eastern Europe's leasing markets is still challenging, VB-Leasing International's profits increased in the second quarter. In the period under review, VBLI reported a stable new business volume at the previous year's level of just under euro 500 million, which equates to around 18,200 contracts. Results are essentially as expected. As in the previous two years, all eight countries posted positive results.

Further progress was made in ongoing initiatives and optimisation programmes, such as rolling out the comprehensive organisational realignment of sales, with the result that these will be implemented fully across the entire group by the end of the year. In doing so, VBLI is optimising management of its eight markets by gearing itself precisely towards the specific needs and requirements of dealers, international vendors and direct customers.

Volksbank Romania S.A. (VB RO)

In Romania, performance as measured through restructuring successes continued to improve in the first half of the year. Especially a strong and far above budget running increase in deposits brought the loan-to-deposit ratio to 320% as of 30 June 2013 compared to around 550% at the end of the first half of 2012. In addition, a growing customer base and a continued stabilization of the NPL portfolio were further positive signals proving the success of the restructuring strategy, which has been initiated towards the end of 2011.

From an income perspective, Volksbank Romania recorded a small profit after tax of euro 4.2 million in the first half of 2013. However, as a result of the weak international economic environment, a difficult local market and the costs invoked by its legacy portfolio the bank continues to expect a loss for the full year.

Non-core Investment Book/Other Operations

This segment includes all parts of the investment book which are to be wound down or sold in accordance with their repayment profile. VB Malta Ltd and holding companies with holdings in the Non-core area were likewise assigned to the Non-core Investment Book/Other Operations segment. In addition, the segment contains securities holdings which will play a minor role in future for strategic reasons (e.g. securitisation, senior bank bonds), but also securities holdings that are not usable at all in banking operations or only to a limited extent (LI2, ECB, SNB, etc.) The entire outstanding CDS portfolio is also assigned to this segment. Most winding down in this segment is taking place passively and is geared towards the existing repayment profile, whereby any market opportunities that present themselves are taken.

Segment results

The result before taxes for the Non-core Investment Book/Other Operations segment totalled euro 70.4 million. Income from recognition of the asset guarantee provided by the Republic of Austria and the associated earn-out clause was assigned to the Non-core Investment Book/Other Operations segment and is reported under other operating income. Positive valuations and proceeds from credit default swaps were recognised under income from financial investments in the previous year.

Outlook for the Non-core Business segment

Attempts are still being actively made in the Non-core Corporates segment to reduce exposures while limiting the impact on earnings and to end customer relationships by mutual agreement. To this end, two transactions over the sale of credit assets were negotiated and signed with RBI in June/July 2013. After approval under competition law, these transactions will be implemented in the third quarter of 2013 and will lead to reductions in RWAs and loans and advances to customers. In addition, it is expected that the consultation mandate regarding sale of the Private Equity portfolio will be awarded and that detailed talks with the mandated consultant will take place in the third quarter of 2013.

The bank is confident of exceeding its winding-down targets for 2013 in the Non-core Real Estate segment.

In the second half of the year, VB-Leasing International will focus on extending existing and potential partnerships with manufacturers and dealers. The objective is to reinforce its position as one of the most stable leasing companies with the highest levels of service quality in Central and Eastern Europe.

In the remaining part of the year VB Romania will focus its efforts on speeding up the disposal of non performing assets, preparing for the Basel III implementation and on improving the service quality and product range for its clients.

Condensed Statement of Comprehensive Income - 1 January to 30 June 2013

Income statement

	1-6/2013 Euro thousand	1-6/2012 Euro thousand	Changes Euro thousand	%
Interest receivable and similar income	404,028	550,300	–146,271	–26.58%
Interest payable and similar expense	–271,304	–433,627	162,323	–37.43%
Income from companies measured at equity	–59,900	–1,849	–58,051	>200.00%
Net interest income	72,825	114,824	–41,999	–36.58%
Risk provisions	–27,349	–73,848	46,499	–62.97%
Fee and commission income	37,239	47,183	–9,944	–21.08%
Fee and commission expenses	–18,377	–9,267	–9,110	98.30%
Net fee and commission income	18,862	37,916	–19,054	–50.25%
Net trading income	–26,755	23,641	–50,396	<–200.00%
General administrative expenses	–126,209	–132,834	6,625	–4.99%
Other operating result	65,952	–33,205	99,157	<–200.00%
Income from financial investments	–46,723	64,108	–110,830	–172.88%
Income from discontinued operation	15,308	48,646	–33,338	–68.53%
Result for the period before taxes	**–54,087**	**49,248**	**–103,336**	**<–200.00%**
Income taxes	–20,808	–16,787	–4,021	23.95%
Income taxes from discontinued operation	0	–2,051	2,051	–100.00%
Result for the period after taxes	**–74,895**	**30,410**	**–105,306**	**<–200.00%**
Result attributable to shareholders of the parent company (Consolidated net result)	**–87,441**	**14,108**	**–101,549**	**<–200.00%**
thereof from continued operation	–102,749	–32,486	–70,263	>200.00%
thereof from discontinued operation	15,308	46,595	–31,287	–67.15%
Result attributable to non-controlling interest	12,545	16,302	–3,757	–23.04%
thereof from continued operation	12,545	8,203	4,342	52.93%
thereof from discontinued operation	0	8,099	–8,099	–100.00%

Comprehensive income	1-6/2013 Euro thousand	1-6/2012 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**–74,895**	**30,410**	**–105,306**	**<–200.00%**
Other comprehensive income				
Items that will not be reclassified to result				
Revaluation obligation of defined benefit plans (IAS 19)	–9,526	0	–9,526	100.00%
Deferred taxes of revaluation IAS 19	2,381	0	2,381	100.00%
Total items that will not be reclassified to result	**–7,144**	**0**	**–7,144**	**100.00%**
Items that may be reclassified to result				
Currency reserve	–6,384	17,203	–23,587	–137.11%
Available for sale reserve (including deferred taxes)				
Change in fair value	87,859	34,658	53,201	153.50%
Net amount transferred to profit or loss	–6,182	–813	–5,369	>200.00%
Hedging reserve (including deferred taxes)				
Change in fair value (effective hedge)	–1,435	–1,556	122	–7.82%
Net amount transferred to profit or loss	583	761	–179	–23.47%
Change in deferred taxes of untaxed reserves	20	0	20	100.00%
Change from companies measured at equity	0	0	0	0.00%
Total items that may be reclassified to result	**74,460**	**50,253**	**24,207**	**48.17%**
Other comprehensive income total	**67,316**	**50,253**	**17,063**	**33.95%**
Comprehensive income	**–7,580**	**80,663**	**–88,243**	**–109.40%**
Comprehensive income attributable to shareholders of the parent company	**–17,267**	**61,284**	**–78,551**	**–128.18%**
thereof from continued operation	–32,575	–4,244	–28,331	>200.00%
thereof from discontinued operation	15,308	65,527	–50,219	–76.64%
Comprehensive income attributable to non-controlling interest	9,687	19,380	–9,692	–50.01%
thereof from continued operation	9,687	8,660	1,028	11.87%
thereof from discontinued operation	0	10,720	–10,720	–100.00%

Condensed Statement of financial position

	30 Jun 2013 Euro thousand	31 Dec 2012 restated [1] Euro thousand	Changes Euro thousand	%
Assets				
Liquid funds	588,026	851,262	–263,235	–30.92%
Loans and advances to credit institutions (gross)	6,850,023	7,270,203	–420,180	–5.78%
Loans and advances to customers (gross)	9,155,562	10,055,734	900,172	–8.95%
Risk provisions (–)	–925,841	–1,067,045	141,205	–13.23%
Trading assets	2,469,139	2,574,227	–105,088	–4.08%
Financial investments	4,582,411	5,561,058	–978,647	–17.60%
Assets for operating lease	330,724	354,139	–23,415	–6.61%
Companies measured at equity	7,897	10,293	–2,397	–23.29%
Participations	470,381	444,562	25,819	5.81%
Intangible assets	12,667	13,967	–1,300	–9.31%
Tangible fixed assets	74,064	130,676	–56,612	–43.32%
Tax assets	63,538	58,184	5,354	9.20%
Current taxes	13,793	11,104	2,689	24.21%
Deferred taxes	49,745	47,079	2,666	5.66%
Other assets	699,843	1,365,216	–665,373	–48.74%
Assets held for sale	475,126	0	475,126	100.00%
TOTAL ASSETS	**24,853,561**	**27,622,476**	**–2,768,915**	**–10,02%**
Liabilities and Equity				
Amounts owed to credit institutions	9,773,212	9,834,518	–61,307	–0.62%
Amounts owed to customers	2,393,680	2,542,128	–148,448	–5.84%
Debts evidenced by certificates	7,903,205	9,934,621	–2,031,415	–20.45%
Trading liabilities	1,904,981	2,073,118	–168,137	–8.11%
Provisions	195,199	179,443	15,756	8.78%
Tax liabilities	195,896	171,822	24,073	14.01%
Current taxes	20,860	16,662	4,198	25.19%
Deferred taxes	175,036	155,160	19,875	12.81%
Other liabilities	664,544	1,056,694	–392,150	–37.11%
Subordinated liabilities	627,015	620,718	6,296	1.01%
Equity	1,195,830	1,209,414	–13,584	–1.12%
Shareholders' equity	1,003,078	1,015,739	–12,662	–1.25%
Non-controlling interest	192,752	193,675	–922	–0.48%
TOTAL LIABILITIES AND EQUITY	**24,853,561**	**27,622,476**	**–2,768,915**	**–10.02%**

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

Condensed Changes in the Group's equity

					IAS 39 [2] valuation reserves				
Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	Currency reserve	Available for sale reserve	Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 Jan 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 restated	**1,338,838**	**0**	**–1,009,756**	**–14,206**	**–243,924**	**1,833**	**72,785**	**395,644**	**468,429**
Consolidated net income [4]			14,108				14,108	16,302	30,410
Currency reserve				16,779			16,779	424	17,203
Available for sale reserve (including deferred taxes)					30,825		30,825	3,020	33,845
Hedging reserve (including deferred taxes)						–429	–429	–366	–795
Change from companies measured at equity				–645	966	–322	0		0
Comprehensive income	0	0	14,108	16,135	31,792	–751	61,284	19,380	80,663
Dividends paid							0	–1,948	–1,948
Change in treasury stocks	–57						–57		–57
Change due to reclassifications shown under non-controlling interest and deconsolidation			–6,069				–6,069	–228,672	–234,741
As at 30 June 2012	**1,338,780**	**0**	**–1,001,717**	**1,928**	**–212,132**	**1,082**	**127,942**	**184,403**	**312,345**
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]			–87,441				–87,441	12,545	–74,895
Change in deferred taxes arising from untaxed reserve			20				20		20
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)			–7,144				–7,144		–7,144
Currency reserve				–3,293			–3,293	–3,091	–6,384
Available for sale reserve (including deferred taxes)					81,676		81,676		81,676
Hedging reserve (including deferred taxes)						–1,084	–1,084	233	–852
Change from companies measured at equity				–66	431	–365	0		0
Comprehensive income	0	0	–94,565	–3,359	82,107	–1,450	–17,267	9,687	–7,580
Dividends paid							0	–4,957	–4,957
Change due to reclassifications shown under non-controlling interest and deconsolidation			2,408		2,198		4,606	–5,653	–1,047
As at 30 June 2013	**885,632**	**0**	**38,033**	**3,849**	**76,279**	**–715**	**1,003,078**	**192,752**	**1,195,830**

[1] Subscribed capital corresponds to the figures reported in the financial statements of Österreichische Volksbanken-Aktiengesellschaft less treasury shares.
[2] As at 30 June 2013, the available for sale reserve included deferred taxes of euro –14,125 thousand (30 June 2012: euro 52,857 thousand). The hedging reserve contains deferred taxes in the amount of euro 150 thousand at the balance sheet date (30 June 2012: euro –456 thousand).
[3] The restatement was done according to IAS 8 (see chapter 1).
[4] Currency translation differences amounting to euro –197 thousand (1-6/2012: euro 5 thousand) for shareholders' equity and euro –304 thousand (1-6/2012: euro –5 thousand) for non-controlling interest resulted from the application of average rates of exchange in the income statement.

Condensed Cash flow statement

Euro thousand	1-6/2013	1-6/2012
Cash and cash equivalents at the end of the previous period (= liquid funds)	851,262	1,256,936
Cash flow from operating activities	–460,978	–597,780
Cash flow from investing activities	210,546	455,957
Cash flow from financing activities	–12,803	–135,020
Cash and cash equivalents at the end of period (= liquid funds)	588,026	980,094

Condensed Notes to the Financial Statements for the period from 1 January to 30 June 2013

1) General information and accounting principles

The interim report as at 30 June 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 in 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 reviewed by the 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 in its separate financial statements for the 2011 business year, which raised the threat of failing to meet regulatory solvency limits in the medium term and created doubts as to the company's ability to continue as a going concern.

VBAG's owners and the Republic of Austria reached an agreement on stabilisation measures on 27 February 2012, which were agreed at the Annual General Meeting on 26 April 2012 and approved by the FMA and European Commission in September 2012.

Significant restructuring measures had already been implemented up to 30 June 2013. VBAG's Board of Management assumes that winding-down measures still outstanding will in all likelihood be carried out, and that preparation of the consolidated financial statements based on a going-concern premise is justified.

Based on extensive requirements imposed by the European Commission, VBAG is required to discontinue key business areas and dispose of holdings.

It is hard to predict the result of selling these portfolios and holdings and the impact this will have on the bank's capital base. Therefore, it is possible – even though it is not foreseeable from today's perspective – that these sales could place an additional considerable burden on VBAG's capital base.

Regulators at European and national level are discussing capital requirements that would go beyond minimum statutory requirements set out by Basel II and Basel III. Any additional capital requirements could impact VBAG even further.

VBAG has an indirect 51% holding in Volksbank Romania S.A. (VB RO). This holding is not part of VBAG's core business and is set to be disposed of. The holding's entire carrying amount was written off in 2011, while VBAG still had refinancing facilities in place amounting to euro 1.1 billion as at 30 June 2013 (31 December 2012: euro 1.4 billion). The owners of VB Romania plan a capital increase in amount of euro 120 million in the second half year of 2013 in order to stabilize equity ratios. To cover VBAG's share, a provision of euro 60 million was recognised in VBAG's interim report as of 30 June 2013. Provisions covering the entire conversion amount of euro 60 million have been recognised in these interim financial statements for this purpose. There are currently no consolidated findings which give reason to impair this refinancing, even though there are conceivable developments in view of the difficult and volatile economic environment that could impact the carrying amount of the refinancing provided by VBAG to VB RO.

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
thereof 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
thereof from continued operation	–1,182
thereof from discontinued operation	70
Result attributable to non-controlling interest	–3
thereof from continued operation	–71
thereof from discontinued operation	68

Adjustment in statement of financial position

Euro thousand	31 Dec 2012	1 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**

The assumed interest rate for calculating long-term employee provisions was set at 2.75% for the interim financial statements as at 30 June 2013 (compared with 3.0% at 31 December 2012). All other parameters remained unchanged from 31 December 2012.

In addition, application of amendments to IAS 1 Presentation of individual items of other comprehensive income, IFRS 13 Fair value measurement, and annual improvements to IFRS, has been compulsory since 1 January 2013.

c) Adjustment comperative figures according to IAS 8

Processing errors in the IFRS valuation in the course of the VBAG – Investkredit merger and intercompany consolidation, which led to misrepresentations 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

In the Real Estate segment, two companies were newly included in the scope of consolidation, as they are no longer immaterial for the presentation of the consolidated financial statements. Results from previous years in the amount of euro 4,604 thousand were recognised directly in equity, whereby euro 2,406 thousand of this amount was recorded under retained earnings and euro 2,198 thousand in the available for sale reserve. Through the inclusion of these companies in the scope of consolidation, holdings increased by euro 5,786 thousand, which were largely refinanced with equity.

In addition, two companies from the Real Estate segment were sold in June. The deconsolidation result from VB Real Estate Leasing Bonus GmbH came to euro 54 thousand and is recorded under other operating income together with the deconsolidation result from Immokik s.r.l. of euro 2,469 thousand.

Profit and loss of discontinued operation Non-core real estate

Euro thousand	
Assets proportional	23,328
Liabilities proportional	23,191
Currency reserve proportional	37
Disposal of net assets proportional	**–100**
Revenues proportional	2,623
Deconsolidation result	**2,523**

In the result of discontinued operation a purchase price adjustment which was agreed in the contract for the sale of Selini Holding GmbH is recorded in the first half 2013.

Profit and loss of discontinued operation Selini

Euro thousand	1-6/2013	1 Jan-12 Apr 2012
Net interest income	0	–640
Net trading income	0	782
General administrative expenses	0	–15
Other operating result	15,308	12,667
thereof deconsolidation result	15,308	12,667
Result for the period before taxes	**15,308**	**12,793**
Income taxes	0	0
Result for the period after taxes	**15,308**	**12,793**
Profit attributable to shareholders of the parent company	**15,308**	**12,793**
Profit attributable to non-controlling interest	0	0

Furthermore the result of discontinued operation of fiscal year 2012 includes the disposal of VBI to the Russian Sberbank. Detailed information and breakdowns are shown in the consolidated financial statements as at 31 December 2012.

3) Subsequent events

In July an offer for replacement of supplementary capital notes with a nominal value of euro 263 million which was published on 26 June 2013 has expired. Investors holding a volume of 88% of the total nominal value issued amounting to euro 232 million accepted the offer. In return the existing investors got new subordinated notes qualified for Basel III in an amount of approximately euro 95 million.

Contracts were signed in July 2013 to sell buildings used by the group as well as a receivables portfolio. The assets concerned are shown on the balance sheet under assets intended for sale. An investment property building is also recorded here which was also sold in July 2013.

In July 2013 the first interested parties for the aquisition of the VBLI sub-group were allowed to register in the data room which was specifically developed for this pupose. The first individual bids of this investors are expected in September.

Sberbank of Russia sent a letter to VBAG in August 2013 in which it made warranty claims relating to the sale of VBI AG to Sberbank. According to assessment by VBAG this most probably will not cause any financial impact on the company.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 30 June 2013.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2013	1-6/2012
Interest and similar income	404,028	550,300
Interest and similar income from	380,611	519,962
liquid funds	681	1,405
credit and money market transactions with credit institutions	28,964	53,556
credit and money market transactions with customers	167,981	249,862
debt securities	69,440	98,046
derivatives in the investment book	113,544	117,092
Current income from	12,530	17,963
equities and other variable-yield securities	1,020	6,032
other affiliates	1,493	10,305
investments in other companies	10,017	1,626
Income from operating lease and investment property	10,888	12,375
rental income investment property	7,642	7,886
income from operating lease contracts	3,246	4,489
rental income	12,277	15,934
depreciations	–9,030	–11,445
Interest and similar expenses of	–271,304	–433,627
deposits from credit institutions (including central banks)	–67,964	–106,300
deposits from customers	–37,122	–45,539
debts evidenced by certificates	–154,444	–243,956
subordinated liabilities	–8,267	–13,407
derivatives in the investment book	–3,507	–24,426
Result from companies measured at equity	–59,900	–1,849
Net interest income	72,825	**114,824**

The income from companies measured at equity displays an allocation for a provision for a capital measure in VB RO amounting of euro 60 million is shown.

Net interest income according to IAS 39 categories

Euro thousand	1-6/2013	1-6/2012
Interest and similar income	344,129	548,451
Interest and similar income from	380,611	519,962
financial investments at fair value through profit or loss	1,953	3,832
derivatives in the investment book	113,544	117,092
financial investments not at fair value through profit or loss	265,114	399,037
financial investments available for sale	47,202	61,776
financial investments at amortised cost	203,240	316,873
of which financial lease	82,003	98,350
of which unwinding of risk provisions	1,007	605
financial investments held to maturity	14,672	20,388
Current income from	–47,370	16,114
financial investments at fair value through profit or loss	568	1,562
financial investments available for sale	11,961	16,400
companies measured at equity	–59,900	–1,849
Operating lease operations (including investment property)	10,888	12,375
Interest and similar expenses of	–271,304	–433,627
derivatives in the investment book	–3,507	–24,426
financial investments at amortised cost	–267,797	–409,201
Net interest income	72,825	**114,824**

Risk provisions

Euro thousand	1-6/2013	1-6/2012
Allocation to risk provisions	–86,947	–190,687
Release of risk provisions	80,739	111,533
Allocation to provisions for risks	–2,602	–1,077
Release of provisions for risks	694	2,382
Direct write-offs of loans and advances	–20,885	–1,871
Income from loans and advances previously written off	1,653	5,871
Risk provisions	**–27,349**	**–73,848**

Net fee and commission income

Euro thousand	1-6/2013	1-6/2012
Fee and commission income from	37,239	47,183
lending operations	9,171	15,174
securities businesses	21,993	21,142
payment transactions	2,448	2,647
foreign exchange, foreign notes and coins transactions	15	0
other banking services	3,612	8,221
Fee and commission expenses from	–18,377	–9,267
lending operations	–9,588	–2,321
securities businesses	–7,988	–6,071
payment transactions	–482	–487
other banking services	–319	–388
Net fee and commission income	**18,862**	**37,916**

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	1-6/2013	1-6/2012
Equity related transactions	2,650	5,144
Exchange rate related transactions	1,684	4,794
Interest rate related transactions	–31,089	13,703
Net trading income	**–26,755**	**23,641**

General administrative expenses

Euro thousand	1-6/2013	1-6/2012
Staff expenses	–69,358	–71,852
Other administrative expenses	–51,377	–55,107
Depreciation of fixed tangible and intangible assets	–5,473	–5,875
General administrative expenses	**–126,209**	**–132,834**

Other operating result

Euro thousand	1-6/2013	1-6/2012
Other operating income and expenses	87,486	13,130
Proceeds from deconsolidation of subsidiaries	2,523	–98
Other taxes	–24,057	–46,006
Impairment of goodwill and brands	0	–230
Other operating result	**65,952**	**–33,205**

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 IFRS rules, the non-interest bearing receivable arising from the assumption of bad debts must be discounted to the reporting date due to its long-term nature. The earn-out clause included in this asset guarantee constitutes a liability that likewise 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 totalling euro 65 million in the first halfyear of 2013.

Deconsolidation results of euro 54 thousand for VB Real Estate Leasing Bonus GmbH and euro 2,469 thousand for Immokik s.r.l. are recognised in the deconsolidation result from the disposal of subsidiaries. In the same period last year the result from the sale of VB Real Estate Leasing neun is included.

In the previous year due to an impairment test carried out on Heilbad Sauerbrunn, goodwill was impaired by euro 230 thousand. 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.

Other taxes comprises the banking tax. The comparative figures includes an allocation of a provision for the impending utilisation of a liability for investment income taxes in the amount of euro 19 million.

Income from financial investments

Euro thousand	1-6/2013	1-6/2012
Result from financial investments at fair value through profit or loss	4,816	**1,422**
Result from fair value hedges	–21,823	**56,058**
Result from revaluation of underlying instruments	26,151	93,297
Result from revaluation of derivatives	–47,974	–37,239
Result from valuation of other derivatives in the investment book	–22,800	**6,594**
Exchange rate related transactions	3,381	8,317
Interest rate related transactions	–2,758	–21,427
Credit related transactions	–1,816	28,301
Other transactions	–21,607	–8,596
Result from available for sale financial investments (including participations)	4,178	**15,628**
Realised gains/losses	9,478	27,958
Income from revaluation	1,276	0
Impairments	–6,576	–12,330
Result from loans & receivables financial investments	2,983	**5,932**
Realised gains/losses	3,367	6,047
Income from revaluation	13	20
Impairments	–397	–135
Result from held to maturity financial investments	1,425	**2,159**
Realised gains/losses	1,425	2,159
Result from assets for operating lease and investment property assets as well as other financial investments	–15,502	**–23,685**
Realised gains/losses	2,049	859
Change in value investment properties	–17,551	–24,544
Result from financial investments	–46,723	**64,108**

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 half of 2013, an amount of euro 6,182 thousand (1-6/2012: euro 813 thousand) previously recognised in the available for sale reserve was reclassified and shown in income statement.

Euro thousand	1-6/2013	1-6/2012
Result from financial investments, which are measured at fair value through profit and loss	**–57,358**	**39,530**
Financial instruments at fair value through profit or loss	4,816	1,422
Fair value hedges	–21,823	56,058
Other derivatives in investment book	–22,800	6,594
Investment property assets	–17,551	–24,544
Result from financial investments, which are not measured at fair value through profit and loss	**10,635**	**24,578**
Realised gains/losses	16,319	37,024
Available for sale financial investments	9,478	27,958
Loans & receivables financial investments	3,367	6,047
Held to maturity financial investments	1,425	2,159
Operating lease assets and other financial investments	2,049	859
Income from revaluation	1,289	20
Available for sale financial investments	1,276	0
Loans & receivables financial investments	13	20
Impairments	–6,973	–12,466
Available for sale financial investments	–6,576	–12,330
Loans & receivables financial investments	–397	–135
Income from financial investments	**–46,723**	**64,108**

Income from discontinued operation

Details of the income of discontinued operation are shown in Note 2).

Income Taxes

Tax expenses largely resulted from deferred tax liabilities on valuation differences between tax carrying amounts and carrying amounts under IFRS, especially as regards the valuation of derivates and securities and asset guarantee recognition. No deferred tax assets were recognised for the negative results arising from the single-entity financial statements of the first halfyear 2013.

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2013	31 Dec 2012
Loans and advances to credit institutions	6,850,023	7,270,203
Loans and advances to customers	9,155,562	10,055,734
Loans and advances to credit institutions and customers	**16,005,586**	**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	thereof 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	–350,744	–14,440	–365,183	–366,495
Currency translation	0	10,920	381	11,300	7,429
Reclassification	0	–459	459	0	0
Unwinding	0	–1,567	0	–1,567	–963
Utilisation	0	–79,916	0	–79,916	–9,352
Release	0	–124,756	–3,502	–128,258	–16,725
Addition	0	199,330	1,802	201,132	10,445
As at 30 Jun 2012	703	914,252	43,958	958,913	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	–6,872	–141	–7,013	0
Reclassification	0	3,115	0	3,115	0
Unwinding	0	–1,007	0	–1,007	0
Utilisation	0	–142,509	0	–142,509	0
Release	0	–45,438	–35,301	–80,739	0
Addition	0	86,947	0	86,947	0
As at 30 Jun 2013	**703**	**777,188**	**147,950**	**925,841**	**0**

The additions include an amount of euro 225 thousand (1-6/2012 euro 2,797 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 506,219 thousand (31 Dec 2012: euro 496,742 thousand). In the first half of the year 2013 the position reclassification contains a reclassification regarding assets held for sale in the amount of euro 2,417 thousand.

Trading assets

Euro thousand	30 Jun 2013	31 Dec 2012
Debt securities	297,325	308,140
Equity and other variable-yield securities	25,054	30,352
Positive fair value from derivatives	2,146,760	2,235,735
equity related transactions	76,400	100,710
exchange rate related transactions	3,479	22,366
interest rate related transactions	2,066,881	2,112,659
Trading assets	**2,469,139**	**2,574,227**

Financial investments

Euro thousand	30 Jun 2013	31 Dec 2012
Financial investments at fair value through profit or loss	150,193	189,905
Debt securities	83,744	120,042
Equity and other variable-yield securities	66,449	69,863
Financial investments available for sale	2,674,570	3,209,084
Debt securities	2,585,697	3,106,941
Equity and other variable-yield securities	88,873	102,143
Financial investments loans & receivables	858,334	1,050,051
Financial investments held to maturity	899,314	1,112,018
Financial investments	**4,582,411**	**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	30 Jun 2013	31 Dec 2012	1 Jul 2008
Carrying amount	401,023	472,558	1,140,363
Fair value	408,632	465,136	1,140,363
Available for sale reserve with reclassification	–24,034	–27,673	–79,177
Available for sale reserve without reclassification	–21,550	–38,228	–79,177

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

Assets for Operating lease (including investment property)

Euro thousand	30 Jun 2013	31 Dec 2012
Investment properties	267,244	286,806
Other operating lease assets	63,480	67,333
Assets for Operating lease	**330,724**	**354,139**

Participations

Euro thousand	30 Jun 2013	31 Dec 2012
Investments in unconsolidated affiliates	27,859	11,304
Participating interests	85,683	60,544
Investments in other companies	356,839	372,714
Participations	**470,381**	**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. Shares and participations with a carrying amount of euro 395,258 thousand were measured at fair value.

As at 31 December 2012 one company was listed on the stock exchange and valued at its stock exchange price.

Other assets

Euro thousand	30 Jun 2013	31 Dec 2012
Deferred items	11,572	9,557
Other receivables and assets	308,385	197,250
Positive fair value from derivatives in the investment book	379,886	1,158,408
Other assets	**699,843**	**1,365,216**

Assets held for sale

This position includes assets to be sold in the second half of 2013. The displayed amount is composed as follows.

Euro thousand	30 Jun 2013	31 Dec 2012
Amounts owed to customers (gross)	422,761	0
Risk provisions (-)	–2,417	0
Investment property assets	6,200	0
Tangible fixed assets	53,475	0
Provisions	–4,892	0
Assets held for sale	**475,126**	**0**

Amounts owed to credit institutions

Euro thousand	30 Jun 2013	31 Dec 2012
Central banks	135,182	304,231
Other credit institutions	9,638,030	9,530,287
Amounts owed to credit institutions	**9,773,212**	**9,834,518**

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

Amounts owed to customers

Euro thousand	30 Jun 2013	31 Dec 2012
Savings deposits	200	200
Other deposits	2,393,480	2,541,928
Amounts owed to customers	**2,393,680**	**2,542,128**

The amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2013	31 Dec 2012
Bond issues	7,903,205	9,934,621
Debts evidenced by certificates	**7,903,205**	**9,934,621**

Debts evidenced by certificates are all measured at amortised cost.

Trading liabilities

Euro thousand	30 Jun 2013	31 Dec 2012
Negative fair value from derivatives		
equity related transactions	80,797	104,785
exchange rate related transactions	16,068	19,691
interest rate related transactions	1,808,116	1,948,642
Trading liabilities	**1,904,981**	**2,073,118**

Other liabilities

Euro thousand	30 Jun 2013	31 Dec 2012
Deferred items	14,642	11,716
Other liabilities	289,389	149,067
Negative fair value from derivatives in the investment book	360,513	895,911
Other liabilities	**664,544**	**1,056,694**

Subordinated liabilities

Euro thousand	30 Jun 2013	31 Dec 2012
Subordinated liabilities	361,765	362,114
Supplementary capital	265,250	258,604
Subordinated liabilities	**627,015**	**620,718**

Subordinated liabilities are measured at amortised cost. Book value of supplementary capital, also including PS 2008, was 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	30 Jun 2013	31 Dec 2012
Subscribed capital (less treasury stocks)	1,035,631	1,035,633
Open reserves (including differential amounts and non-controlling interests)	707,149	1,049,266
Funds for general banking risks	10,339	10,376
Intangible assets	–16,255	–15,957
Net loss	–91,729	–353,076
Core capital (tier I capital) before deductions	1,645,135	1,726,242
Deductions from core capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–20,695	–17,614
Core capital (tier I capital) after deductions	1,624,441	1,708,628
Supplementary capital	265,539	265,538
Eligible subordinated liabilities	299,043	345,090
Hidden reserves pursuant to section 57 (1) Austrian Banking Act and Revaluation reserve other	74,000	74,144
Supplementary capital (tier II capital) before deductions	638,582	684,772
Deductions from supplementary capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–20,695	–17,614
Supplementary capital (tier II capital) after deductions	617,888	667,158
Deductions from own funds pursuant to section 103e no. 13 Austrian Banking Act	–3,456	–3,467
Short-term subordinated liabilities (tier III capital)	92,142	95,175
Eligible qualifying capital	**2,331,014**	**2,467,494**
Capital requirement	1,141,333	1,257,610
Surplus capital	1,189,681	1,209,884
Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	13.50%	12.71%
Equity ratio (in relation to credit risk after deduction of capital requirements for market and operational risk)	17.89%	17.00%
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	11.39%	10.87%
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	16.34%	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	30 Jun 2013	31 Dec 2012
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	12,028,638	13,443,438
Of which 8% minimum capital requirement for credit risk	962,291	1,075,475
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities - market risk	92,142	95,175
Capital requirement for operational risk	86,900	86,960
Total capital requirement	**1,141,333**	**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 half 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
30 Jun 2013							
Liquid funds	0	0	0	0	588,026	588,026	588,026
Loans and advances to credit institutions	0	0	0	0	6,850,023	6,850,023	
Individual impairment credit institutions	0	0	0	0	–703	–703	
Loans credit institutions less individual impairments	0	0	0	0	6,849,320	6,849,320	6,843,636
Loans and advances to customers	0	0	0	0	9,155,562	9,155,562	
Individual impairment customers	0	0	0	0	–777,188	–777,188	
Loans customers less individual impairments	0	0	0	0	8,378,375	8,378,375	8,105,160
Trading assets	2,469,139	0	0	0	0	2,469,139	2,469,139
Financial investments	0	150,193	899,314	2,674,570	858,334	4,582,411	4,567,630
Participations	0	0	0	470,381	0	470,381	470,381
Derivatives – investment book	379,886	0	0	0	0	379,886	379,886
Assets disposal group	0	0	0	0	422,761	422,761	415,452
Financial assets total	**2,849,024**	**150,193**	**899,314**	**3,144,951**	**17,096,816**	**24,140,299**	**23,839,309**
Amounts owed to credit institutions	0	0	0	0	9,773,212	9,773,212	9,891,118
Amounts owed to customers	0	0	0	0	2,393,680	2,393,680	2,416,752
Debts evidenced by certificates	0	0	0	0	7,903,205	7,903,205	7,916,817
Trading liabilities	1,904,981	0	0	0	0	1,904,981	1,904,981
Derivatives – investment book	360,513	0	0	0	0	360,513	360,513
Subordinated liabilities	0	0	0	0	627,015	627,015	462,082
Financial liabilities total	**2,265,494**	**0**	**0**	**0**	**20,697,112**	**22,962,606**	**22,952,262**

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	
Individual impairment credit institutions	0	0	0	0	–703	–703	
Loans credit institutions less individual impairments	0	0	0	0	7,269,500	7,269,500	7,269,500
Loans and advances to customers	0	0	0	0	10,055,734	10,055,734	
Individual impairment customers	0	0	0	0	–882,950	–882,950	
Loans customers less individual impairments	0	0	0	0	9,172,784	9,172,784	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**	**18,343,597**	**27,031,801**	**10,533,564**
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 calculation of the fair values was adapted in line with the prospective implementation of IFRS 13. The comparative figures of fair values were not adjusted accordingly. Therefore the approximately presentation with amortised cost in the comparative figures was kept for loans and liabilities of credit institution and customers.

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
30 Jun 2013				
Financial assets				
Trading assets	77,742	2,391,397	0	2,469,139
Financial investments	2,323,402	419,954	62,791	2,806,146
at fair value through profit or loss	57,566	29,837	62,791	150,193
available for sale	2,265,836	390,117	0	2,655,953
Participations	0	3,500	391,758	395,258
Derivatives – investment book	0	379,886	0	379,886
Total	**2,401,144**	**3,194,737**	**454,549**	**6,050,430**
Financial liabilities				
Trading liabilities	0	1,904,981	0	1,904,981
Derivatives – investment book	0	360,513	0	360,513
Total	**0**	**2,265,494**	**0**	**2,265,494**

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 18,617 thousand (31 Dec 2012: euro 18,632 thousand) and participations totalling euro 75,123 thousand (31 Dec 2012: euro 122,393 thousand) are measured at amortised cost because their fair value cannot be determined without unreasonable effort.

In 2013, financial instruments with a carrying amount of euro 68,643 thousand, which were still measured at Level 2 market value as at 31 December 2012, were reclassified as Level 1 financial instruments due to an increase in trading activity. The measurement methods outlined in the 2012 annual report remained unchanged.

Development of Level 3 fair values

Euro thousand	Financial investments at fair value through profit or loss	Participations	Total
As at 1 Jan 2013	66,725	312,409	379,134
Changes in the scope of consolidation	0	3,310	3,310
Reallocation in Level 3	2,649	45,213	47,862
Additions	1,378	0	1,378
Disposals	–9,562	–149	–9,711
Valuation			
through profit or loss	1,600	–940	660
through other comprehensive income	0	31,914	31,914
As at 30 Jun 2013	**62,791**	**391,758**	**454,548**

By improving systems, more market value measurements of holdings were carried out as at 30 June 2013, which led to additions during the financial year. These holdings were previously measured at amortised cost because it was not possible to determine their fair value without considerable effort and expense.

The calculation of the fair values for private equity companies, included with an amount of euro 62,791 thousand in level 3 fair values of financial investments at fair value through profit or loss and with an amount of euro 58,084 thousand in level 3 fair values of particiaption, is based on the current reporting information of the fund managers. These information is provided on a quarterly basis. The reporting contains a fair value calculation for the share of VBAG and is updated mostly quarterly. The fair value calculation of the fund manager is based on the fair value of the single portfolio entites and of other assets and liabilities. In the majority of cases the valuation is in line with the Reporting Guidelines of ECVA (European Private Equity and Venture Capital Association) which constitutes a market standard for valuation.

In terms of sensitivity analyses for level 3 market values under participations, factors that increase or decrease value are determined in alternative valuation scenarios by varying income estimates and income-based parameters within a range of 10% to 20%. In the event of a beneficial movement, market value changes by euro 40,955 thousand, while a detrimental movement leads to a change of euro –40,133 thousand. The private equity portfolio is not included in the sensitivity analyses as no significant deviations in value were noted in the past which would suggest major uncertainties in determining fair values.

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	
	1-6/2013	**1-6/2012**	**30 Jun 2013**	**31 Dec 2012**
Domestic	**1,124**	1,220	**1,123**	1,137
Foreign	**757**	1,811	**755**	775
Number of staff - total	**1,881**	**3,031**	**1,878**	**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	
	1-6/2013	1-6/2012	30 Jun 2013	31 Dec 2012
VBI disposal group				
Domestic	0	20	0	0
Foreign	0	1,024	0	0
Number of staff VBI	0	1,044	0	0

9) Branches

	30 Jun 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
30 Jun 2013				
Loans and advances to credit institutions	0	908,987	1,116,383	0
Loans and advances to customers	59,261	179,464	3,697	0
Risk provisions (–)	–4,538	–40,244	0	0
Debt securities	0	220,204	0	874,960
Amounts owed to credit institutions	0	1,102,521	25,297	0
Amounts owed to customers	8,973	27,387	2,321	399
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 30 Jun 2013, loans and advances to credit institutions contain transactions with the Volksbank-Sector amounting to euro 4,333,762 thousand (31 Dec 2012: euro 4,933,668 thousand) and amounts owed to credit institutions include transactions with the Volksbank-Sector amounting to euro 5,905,519 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 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	Other Operations	Non-core Corporates	Non-core Real Estate	Non-core Retail	Non-core Investment Book/Other operations	Con-solidation	Total
Net interest income									
1-6/2013	22,705	–8,098	2,848	14,306	32,323	–14,524	25,747	–2,483	72,825
1-6/2012	20,157	–36,342	2,592	30,923	36,770	48,929	19,790	–7,997	114,824
of which income from companies measured at equity									
1-6/2013	0	0	100	0	0	–60,000	0	0	–59,900
1-6/2012	0	0	–332	0	0	–1,517	0	0	–1,849
Risk provisions									
1-6/2013	–3,539	–29	–3	–1,685	–16,640	–2,250	–3,203	0	–27,349
1-6/2012	–1,270	–85	82	6,312	–67,710	–15,227	4,051	0	–73,848
Net fee and commission income									
1-6/2013	3,078	13,727	3,029	517	168	2,441	–4,349	251	18,862
1-6/2012	3,911	16,209	6,331	2,090	1,140	2,890	6,667	–1,322	37,916
Net trading income									
1-6/2013	8	–28,056	1	58	–280	1,486	30	0	–26,755
1-6/2012	61	22,724	0	–58	732	392	–210	0	23,641
General administrative expenses									
1-6/2013	–18,599	–31,093	–20,167	–10,731	–20,497	–24,904	–6,720	6,502	–126,209
1-6/2012	–15,381	–32,855	–18,188	–21,530	–18,561	–25,215	–9,937	8,833	–132,834
Other operating result									
1-6/2013	3,038	7,117	2,378	–739	–2,204	3,723	56,910	–4,270	65,952
1-6/2012	2,386	173	–35,356	–79	3,382	1,412	–3,405	–1,718	–33,205
of which impairment of goodwill and brand									
1-6/2013	0	0	0	0	0	0	0	0	0
1-6/2012	0	0	0	0	–230	0	0	0	–230
Income from financial investments									
1-6/2013	–27	–43,759	5,919	5,476	–16,950	601	2,017	0	–46,723
1-6/2012	0	42,963	16,326	8,019	–34,781	4,519	27,061	0	64,108
Income from discontinued operation									
1-6/2013	0	0	0	0	15,308	0	0	0	15,308
1-6/2012	0	0	0	0	12,793	33,650	0	2,203	48,646
Result for the period before taxes									
1-6/2013	**6,663**	**–90,192**	**–5,995**	**7,201**	**–8,771**	**–33,427**	**70,433**	**0**	**–54,087**
1-6/2012	**9,864**	**12,787**	**–28,212**	**25,677**	**–66,234**	**51,349**	**44,018**	**0**	**49,248**
Income taxes including taxes of discontinued operation									
1-6/2013	–1,518	22,533	–12,177	–1,885	285	–5,416	–22,631	0	–20,808
1-6/2012	–2,100	–3,197	–2,837	–5,713	12,251	–5,282	–11,959	0	–18,838
Result for the period after taxes									
1-6/2013	**5,146**	**–67,659**	**–18,172**	**5,316**	**–8,486**	**–38,843**	**47,803**	**0**	**–74,895**
1-6/2012	**7,764**	**9,590**	**–31,049**	**19,964**	**–53,984**	**46,068**	**32,059**	**0**	**30,410**
Total assets									
30 Jun 2013	2,675,456	17,667,530	1,177,058	1,238,998	2,942,134	1,762,841	3,353,263	–5,963,719	24,853,561
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									
30 Jun 2013	2,639,609	1,876,259	11	1,075,599	2,664,002	1,762,778	381,097	–1,243,793	9,155,562
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									
30 Jun 2013	0	0	7,897	0	0	0	0	0	7,897
31 Dec 2012	0	0	10,293	0	0	0	0	0	10,293
Amounts owed to customers									
30 Jun 2013	107,230	2,513,765	20	34,986	133,071	6,027	15,760	–417,179	2,393,680
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									
30 Jun 2013	390,873	7,267,344	0	238,216	520,912	0	844,017	–731,141	8,530,220
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				
1-6/2013	61,674	–8,460	19,611	72,825
1-6/2012	21,070	54,989	38,764	114,824
of which income from companies measured at equity				
1-6/2013	100	–60,000	0	–59,900
1-6/2012	–332	–1,517	0	–1,849
Risk provisions				
1-6/2013	–18,380	–5,155	–3,813	–27,349
1-6/2012	–61,624	–15,456	3,232	–73,848
Net fee and commission income				
1-6/2013	16,258	1,953	651	18,862
1-6/2012	28,100	2,695	7,121	37,916
Net trading income				
1-6/2013	–28,175	1,349	72	–26,755
1-6/2012	23,270	399	–28	23,641
General administrative expenses				
1-6/2013	–89,528	–26,254	–10,427	–126,209
1-6/2012	–89,073	–26,553	–17,208	–132,834
Other operating result				
1-6/2013	57,442	8,410	100	65,952
1-6/2012	–37,173	3,896	72	–33,205
Income from financial investments				
1-6/2013	–31,940	–19,133	4,351	–46,723
1-6/2012	5,641	–18,205	76,672	64,108
Income from discontinued operation				
1-6/2013	15,308	0	0	15,308
1-6/2012	0	48,646	0	48,646
Result for the period before taxes				
1-6/2013	**–17,341**	**–47,290**	**10,544**	**–54,087**
1-6/2012	**–109,788**	**50,411**	**108,626**	**49,248**

11) Quarterly financial data

Euro thousand	4-6/2013	1-3/2013	10-12/2012	7-9/2012	4-6/2012
Net interest income	22,605	50,220	60,425	45,048	58,774
Risk provisions	9,758	–37,107	–166,201	–126,867	–51,685
Net fee and commission income	7,987	10,875	12,678	7,613	17,615
Net trading income	–19,589	–7,166	760	7,794	15,155
General administrative expenses	–64,740	–61,468	–66,751	–61,869	–67,334
Other operating result	1,947	64,005	51,786	736,573	–26,983
Income from financial investments	–29,912	–16,811	4,217	–15,951	28,783
Income from discontinued operation	15,308	0	0	0	36,012
Result for the period before taxes	**–56,636**	**2,548**	**–103,084**	**592,341**	**10,337**
Income taxes	–2,872	–17,936	–148,137	–1,333	–13,963
Income taxes from discontinued operation	0	0	0	0	0
Result for the period after taxes	**–59,508**	**–15,387**	**–251,222**	**591,008**	**–3,627**
Result attributable to shareholders of the parent company	**–66,142**	**–21,299**	**–256,570**	**584,594**	**–8,050**
Result attributable to non-controlling interest	6,634	5,912	5,348	6,413	4,424

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 six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 29. August 2013

Stephan Koren
Chairman of the Managing Board
Steering
Legal & Compliance, Corporate Planning & Finance,
HR Management, Marketing & Communications

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

REPORT ON THE REVIEW

of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed Interim Consolidated Financial Statements of Österreichische Volksbanken-Aktiengesellschaft, Vienna, for the period from 1 January 2013 to 30 June 2013. These condensed Interim Consolidated Financial Statements comprise the condensed consolidated statement of financial position as of 30 June 2013 and the condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flow and condensed consolidated statement of changes in equity for the period from 1 January 2013 to 30 June 2013 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed Interim Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting (IAS 34) as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters as well as for risk management, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed Interim Consolidated Financial Statements are not prepared in all material respects in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting (IAS 34) as adopted by the EU.

Without qualifying our conclusion, we draw attention to the general notes to the condensed Consolidated Interim Financial Statements. This note highlights the Company's ability to continue as a going concern and to the assessment of the existing refinancing facilities for Volksbank Romania S.A.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2013 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed Interim Consolidated Financial Statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed Interim Consolidated Financial Statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subsection 3 Austrian Stock Exchange Act.

Vienna, 29 August 2013

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Bernhard Mechtler Austrian Chartered Accountant	Walter Reiffenstuhl Austrian Chartered Accountant

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