

MANAGEMENT REPORT 2014

ECONOMIC REPORT

Current business environment

According to the latest forecast from the European Commission, figures for the year as a whole will show that the **growth of the world economy** accelerated slightly to 3.3% 2014, however this is still lower than previously predicted.

GDP growth in the **euro zone** slowed further in the course of the year. According to the European Commission forecast, the euro zone will post GDP growth of 0.8% in 2014, which is weaker even than the rate expected last spring (1.2%). The reasons for this are low investment, substantial economic and political uncertainty and ongoing deleveraging of the corporate sector in some euro zone countries.

In its December 2014 forecast, the Austrian National Bank (OeNB) predicts that the **Austrian economy** will record growth of just 0.4% for 2014 as a whole. The leading indicators available for 2015 do not currently indicate a significant upturn in 2015 either. Growth is set to be only slightly higher at 0.7%. This represents a continuation of a sustained period of weak growth since 2012. Not until 2016 does the OeNB expect economic growth to accelerate to 1.6%.

The current economic weakness is attributable to a wealth of factors. At international level, the ongoing weakness of the euro zone and geopolitical tensions such as the conflict between Russia and the Ukraine are weighing on business confidence and worsening the prospects for the export economy. Domestically, uncertainty about the economic outlook is making firms more reluctant to invest. Weak development of real incomes also leaves little scope for additional consumer spending.

Given the poor growth outlook, unemployment is set to rise to 5.3% in 2015. The labour market is unlikely to worsen further in 2016, however the upturn will not be strong enough to reduce unemployment. Inflation will be around the 1.5% mark from 2014 to 2016. Low consumer price inflation (HCI) will be one of the main factors supporting the economy.

On the basis of its regular economic and monetary analyses and in accordance with its forward guidance, the ECB Governing Council decided on 2 October 2014 to leave the central bank's key interest rates unchanged at 0.05%.

Growth in borrowing by private households remained very stable and stood at 1.2% in September 2014 (euro zone: -0.5%).

In September, Austria recorded 0.9% annual growth in corporate borrowing.

The environment for banks has deteriorated around the globe. A new regulatory framework for banks, known as Basel III, has been implemented in directives such as CRD IV and CRR. The European Banking Union project will be on the agenda over the next two years.

Owing to the losses sustained by VBAG in the 2011 business year, a decision was taken together with the bank's owners and the Republic of Austria to stabilise VBAG, mainly through a capital increase and the creation of a joint liability scheme (Association of Volksbanks in accordance with section 30a of the Austrian Banking Act). The restructuring plan that has been approved by the European Commission involves winding down large parts of the loan portfolio in Austria and abroad (essentially excluding syndicate business with the Volksbanks) and of large parts of the bank book, as well as the sale of participations, such as VB Romania S.A. and VB-Leasing International Holding GmbH.

A series of measures were also initiated to strengthen VBAG's capital base at individual bank and Group level, and thus also the capital base of the Association of Volksbanks by virtue of its role as the central organisation of the Association of Volksbanks in accordance with the banking association agreement as per section 30a of the Austrian Banking Act. In particular, these measures included:

- *The conversion or repurchase of supplementary, hybrid and subordinated capital, in each case after obtaining approval from the regulator and the European Commission, with an impact of more than euro 350 million on common equity Tier 1 (CET1)*
- *The introduction of a base amount of 95% for cooperative capital, which prevented its phasing-out and thus secured over euro 110 million in CET1 for the association*
- *Adjustments to issuing conditions for various types of Tier I and Tier II capital, to ensure that they are compliant with Basel III and thus retain over euro 100 million of equity within the association*
- *Various RWA reduction measures*
- *The implementation of substantial wind-down measures, which significantly improved VBAG's risk position (at individual bank and Group level) and thus indirectly that of the association*
- *The development of a new risk management system*

The ECB took over direct supervision of the 130 largest European banks on 4 November 2014. Prior to beginning this supervisory role, it submitted these banks to extensive tests – the “comprehensive assessment” (CA).

The **Austrian Association of Volksbanks** was one of six Austrian banking groups to undergo this assessment.

The assessment consisted of two parts. Firstly, the “asset quality review” (AQR), which examined the valuations of assets on the balance sheet. And secondly, a stress test, which analysed the impact of future economic developments at European and global level on the banks' capital ratios. Two stress scenarios were applied for the period to 2016 (base scenario and adverse scenario).

The ECB calculated that the Association of Volksbanks had an aggregated capital shortfall of euro 864.72 million, however this figure did not take into account the Association of Volksbanks' plans for the future.

A capital plan was submitted to the ECB on 10 November 2014, which presented the measures planned to cover the capital shortfall identified by the comprehensive assessment.

The key element in this capital plan is the reorganisation of the Association of Volksbanks and the associated restructuring of VBAG.

The Managing Board of VBAG resolved to reorganise VBAG's structures on 2 October 2014. The top institution, VBAG, will be divided. Those duties that VBAG is statutorily required to fulfil as the Association of Volksbanks' central organisation will be transferred to a large regional Volksbank. It is intended that Volksbank Wien-Baden AG will take on these association functions. The service functions which VBAG provides to the Volksbank sector and that are necessary to ensure that the banks operate correctly will also be transferred. The VBAG staff required for the association and service functions are to be transferred to Volksbank Wien-Baden AG. Assets and liabilities required for liquidity control in the association and for the syndicate business, among other things, total approximately euro 8.5 billion and will be spun off to Volksbank Wien-Baden AG. A capital increase of approximately euro 120 million is to be carried out as a result of the transfer of these assets and liabilities. This capital is to be provided by the members of the Association of Volksbanks. To enable Volksbank Wien-Baden AG to comply with the risk policy guidelines in the lending business, the Volksbanks are to issue guarantees to Volksbank Wien-Baden AG. The future costs of the association will be borne by the entire Volksbank sector and governed by a definitive cost transfer agreement. Reducing the association's costs is essential to making a successful new start and represents a major challenge for the whole of the Association of Volksbanks. The

plan is for the remainder of VBAG to leave the joint liability scheme in the first half of 2015, surrender its banking licence and be fully liquidated. Following the surrender of its banking licence, VBAG will no longer be subject to supervision by the banking regulator and the regime of capital requirements for banks. Implementation of these restructuring plans is subject to approval under supervisory law and EU laws on state aid.

In addition to the restructuring of VBAG and the Association of Volksbanks, the main elements of the capital plan are as follows:

- Sale of securities causing RWA
- Implementation of a securitisation transaction
- Liquidation of hidden reserves from real estate
- Other RWA reduction measures

These measures are currently being implemented with completion planned by the end of June 2015. In accordance with the resolution by the Volksbanks at the Group meeting on 2 October and 7 November 2014, small and medium-sized institutions are to be merged into eight strong regional banks that will cooperate closely in future. These will be complemented by three specialist institutions.

The Association of Volksbanks is thereby making a major contribution to consolidating the banking sector in Austria. The banking association created on 1 October 2012 will continue to exist.

The association is based on three pillars:

- The joint liability scheme (section 30a (1) no. 2 of the Austrian Banking Act)
- The liquidity association (section 30a (10) of the Austrian Banking Act)
- The general and individual instructions (section 30a (1) no. 3 of the Austrian Banking Act)

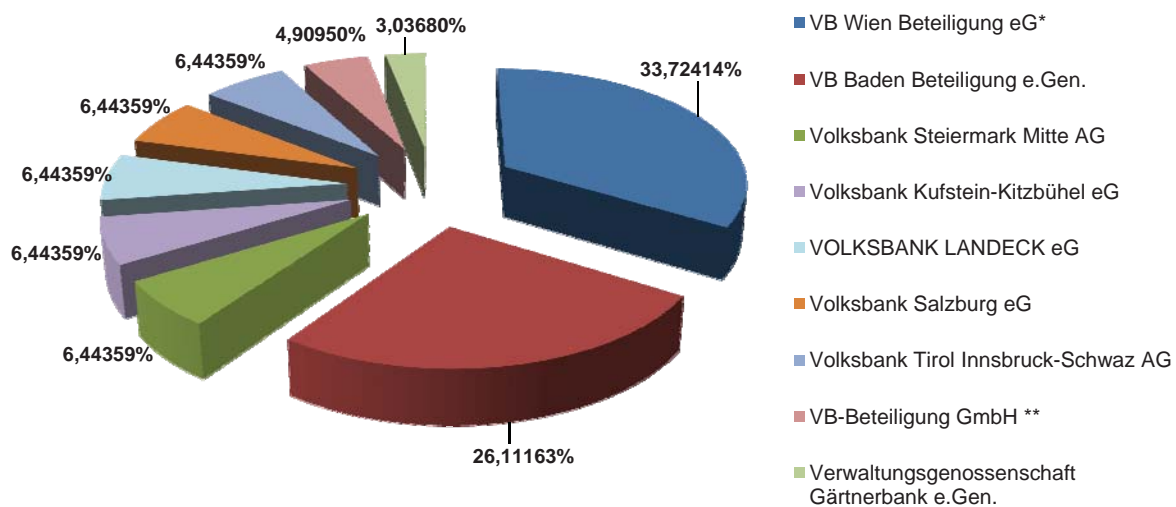
The international rating agency FitchRatings again gave the Association of Volksbanks a long-term rating of “A” in August 2014. The long-term rating is decisive to the bank's creditworthiness and ability to service its long-term liabilities. However, Fitch also changed the outlook to “negative”.

Analysis of business development including the performance and position of the company

On 22 September 2014, the banking business of Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung was transferred as a contribution in kind to Volksbank Wien-Baden

AG with retroactive effect from 1 January 2014 in accordance with section 92 (2) and (3) no. 2 of the Austrian Banking Act and the provisions of the Corporate Restructuring Taxes Act (Umgründungssteuergesetz), as per Article III of that Act. In accordance with section 92 (4) of the Austrian Banking Act, the transfer brought about a legal transition in the form of universal succession. The expertise that Gärtnerbank has contributed to Volksbank Wien-Baden AG is to be expanded further. The objective of the merger is to continue to represent the interests of farmers and gardeners, strengthen existing customer relationships and expand this business segment in the region served by Volksbank Wien-Baden AG.

The current **ownership structure** is as follows:



* In addition to a large number of privately owned cooperatives, the main shareholders in VB Wien Beteiligung eG are Volksbanks from Lower Austria, Upper Austria, Vienna and Burgenland.

** Volksbanks from Carinthia and Styria hold shares in VB-Beteiligung GmbH.

Volksbank Wien-Baden AG forms part of the Association of Volksbanks in accordance with section 30a of the Austrian Banking Act. Its business partners are primarily small and medium-sized enterprises and private households in and around Vienna, Baden, Klosterneuburg and Mödling.

The Austrian Cooperative Association (Schulze-Delitzsch) performs the audit of Volksbank Wien-Baden AG's financial statements in accordance with its legal mandate.

The audit examines whether the financial statements comply with the law and Articles of Association and checks whether the bank is managed in accordance with the principles of cost-effectiveness and expediency.

Volksbank Wien-Baden AG's business policies attach great importance to efficiency, profitability and sound equity levels to enable it to fulfil its purpose as a regional universal bank in accordance with its ownership structure.

In pursuit of our strategy of being “the best regional bank in eastern Austria”, we at Volksbank Wien-Baden AG set great store by the personal support we offer in our branches. We are focusing on our strong regional presence, which contrasts with the process of centralisation underway at other institutions. The merger of Volksbank Wien and Volksbank Baden in the 2013 business year and the Gärtnerbank merger in the 2014 business year have created an organisation that now has 58 locations in the Vienna metropolitan area, a region home to some 80,000 companies and two million inhabitants. As a strong advisory bank, we work actively and systematically to cultivate our market.

Our primary activities are in the lending, deposit and securities businesses.

The general economic situation in Austria defined the climate for the region's businesses. The economic situation in the region had a positive impact on the 2014 business year.

As a result of the transfer of the banking operations of Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung to Volksbank Wien-Baden AG in accordance with section 92 of the Austrian Banking Act, which was completed as of 24 October 2014, the figures for the 2013 and 2014 business years presented in the management report are not comparable.

Lending continued to be directed towards qualitative growth. Low interest rates during the year under review adversely affected earnings. We responded with appropriate measures such as actively managing our market and terms and conditions, and also benefited from management's prudent approach.

Extraordinary charges were recorded in connection with the costs of the merger process and longer employee working hours.

Thanks to investments in modern technology, Volksbank Wien-Baden AG has managed to ensure that costs remain economically viable. At the same time, members and customers are benefiting from a well-functioning network of branches and workplaces.

Volksbank Wien-Baden AG has 56 branches along with two self-service and eight cash machine locations.

The following redesigns and refurbishments took place in the year under review:

- Relocation and redesign of the Hietzing branch

- Completion of the residential construction project at the Bad Vöslau location (construction of some 30 apartments with financial support from the state government of Lower Austria)
- Office and housing adaptations in Mödling, Pressbaum and Traiskirchen
- Extension and adaptation of the self-service foyers at Siebenhirten, Hinterbrühl, Floridsdorf and Taborstrasse

Financial performance indicators – explanations and analysis

Key figures [euro thousands, %]	2014	2013	+/-
Total assets	3,385,410	3,801,368	-415,958
Saving deposits	1,469,460	1,463,007	6,454
Business volume	5,698,509	5,727,975	- 29,466
Rate of lending I	163.62%	152.17%	7.52%
Rate of lending II	78.41%	68.07%	15.19%
Net fee and commission income	33,250	30,973	2,277
Net fee and commission income to total assets	0.98%	0.81%	20.54%
Operating income	93,231	86,922	6,309
Operating income to total assets	2.75%	2.29%	20.44%
Operating expenses	74,898	69,515	5,383
Operating expenses to total assets	2.21%	1.83%	20.98%
Profit on ordinary activities	19,172	8,591	10,580
Return on assets	0.57%	0.23%	150.57%
Cost-income ratio	80.34%	79.97%	0.45%
Core capital	185,632	163,138	22,494
Eligible qualifying capital	208,004	197,778	10,226
Core capital ratio	13.31%	10.65%	24.99%
Equity ratio	14.91%	12.91%	15.53%

The figures presented for 2014 should be seen in the context of the transfer of Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung's banking operations to Volksbank Wien-Baden AG in accordance with section 92 of the Austrian Banking Act.

Volksbank Wien-Baden AG's total assets stood at euro 3,386 million as at 31 December 2014. The total assets of Volksbank Wien-Baden AG as at 31 December 2013 were euro 3,801 million. The decrease in total assets is attributable to the reduction in liabilities to the central organisation and in other amounts owed to customers.

At 2.21% of total assets, operating expenses were close to average for the sector. Merger costs totalled euro 445,000.

The cost-income ratio (ratio of operating expenses to operating income) of 80.34% includes one-off effects from the transfer of the banking operations of the former Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung.

The business volume, which comprises lending to customers, customer deposits, debts evidenced by certificates and contingent liabilities, totalled euro 5,699 million.

Own funds stood at euro 208 million as at 31 December 2014, of which 89.24% were in the form of core capital and 10.76% in the form of supplementary capital.

An additional euro 5,000,000 was allocated to retained earnings for internal financing as at 31 December 2014. It is proposed to use almost the entire reported balance sheet profit of euro 6,856,000 to pay a dividend to shareholders and holders of participation capital.

The statutory liquidity requirements were adequately fulfilled at all times during the period under review.

Non-financial performance indicators

Our efforts to strengthen our partnership with customers by improving the advice and support we offer led us once more to develop a wide range of **marketing campaigns** in 2014. In addition to designing various sales campaigns in the areas of savings (online saving, “Ertragreicher Frühling” (fruitful spring) etc.), accounts (relaunch of account models), housing (organisation of housing fair, energy advice days), family (school projects) and SMEs (e.g. “Fit for Business” magazine), we also used events, festival weeks, promotions, online campaigns and print publications to market the bank. The festival week took place across our entire region with events and special offers in every branch. We continued the welcome promotion to attract new customers along with image advertising campaigns using specially branded electric vehicles, posters and flyers. In addition, we further pursued our campaign to bring new SME customers to the bank, presenting an attractive offer by means of regular written communications and events. Projects such as the school competition “Superadler Nachwuchstalente” with Thomas Morgenstern (involving some 10,000 children), “Judostar 2020”, the mumok action day for children, the Vienna Timberwolves basketball new talents competition, to name but a few, were aimed at young people and families.

Our customer magazine “Geld & Leben” is an important source of information for customers of Volksbank Wien-Baden AG with its professional design and a circulation of approximately 600,000 in Vienna and Lower Austria. In 2014, we again focussed our efforts on customers' satisfaction and willingness to recommend Volksbank Wien-Baden AG to others.

As at 31 December 2014, Volksbank Wien-Baden AG employed **643 banking/office staff** and **32 other staff members**. New appointments were primarily made to replace employees who had left the company (retirement, maternity leave, etc.).

Volksbank Wien-Baden AG takes into account individuals' career and life plans when designing training. Training put increased emphasis on financing, investment, sales and personal development.

We continue to attach great importance to specialist training for our staff in order to offer our customers high-quality advice. Our staff not only advise customers in our branches, but also visit them directly.

Not only banking expertise, but also strong interpersonal skills are an important aspect of our customer relationships. This is confirmed by our high levels of customer satisfaction.

A contribution-based pension fund is available to employees on the basis of a collective agreement.

Volksbank Wien-Baden AG has a flexitime model to optimise working hours in the interests of members and customers.

RISK REPORT

Volksbank Wien-Baden AG has established a risk management system in accordance with section 39 of the Austrian Banking Act. This system encompasses, and serves to limit, all significant risks associated with the banking business and operations. A risk inventory is conducted each year across the entire association to determine the significant risks. The risk inventory forms the basis for the risk sustainability account and subsequent measures to limit and manage risks. As the central organisation of the banking association within the meaning of section 30a of the Austrian Banking Act, V BAG controls risk management in the entire Association of Volksbanks in accordance with section 39a of the Austrian Banking Act. The central organisation produces risk reports for this purpose on the basis of the data from all the individual Volksbanks and monitors compliance with the overall bank risk limits that have been assigned. The methods applied to calculate and limit risks are the same as those used by the individual Volksbanks.

As a member of the Association of Volksbanks, Volksbank Wien-Baden AG bases its risk management on the risk policy guidelines of the central organisation. In addition to the overall bank risk limits in the banking association strategy, Volksbank Wien-Baden AG is issued at least once a year with an institute-specific overall bank risk limit (depending on how much of the limit is being used by the association and individual institution) for the economic liquidity view. Volksbank Wien-Baden AG defines risk limits for all significant risks based on its specific overall bank risk limit and submits these to the Supervisory Board. The bank also uses its own early warning system to respond rapidly to unexpected events, for example if

risks come close to the limits set. Risk Control continually monitors compliance with the limits in accordance with standards and guidelines set by the central organisation.

Credit risks

Volksbank Wien-Baden AG largely restricts its lending activities to its home region. This enables the bank to better assess customers' needs and the risks associated with loans.

The significant qualitative and quantitative aspects of default risk are subject to an appropriate risk analysis. The depth of this analysis depends on the nature, scope, complexity and risk of the credit exposure.

Volksbank Wien-Baden AG uses modern rating tools to assess default risk. The central organisation uses a portfolio model to calculate expected and unexpected losses. This data is used in both the customer's and the bank's risk calculations.

Currency risks from loans in foreign currencies are covered using refinancing in the same currency and currency swaps. Volksbank Wien-Baden AG calculates the specific risk arising from loans in foreign currencies and repayment vehicle loans in respect of changes in exchange rates, interest rates and collateral. It shows the impact of such changes on the individual loan, on unsecured risk and at overall portfolio level. Repayment vehicle loans are also subject to ongoing monitoring of the repayment vehicle.

The credit risk is combined with the other significant risk categories to form a total risk position and compared to the corresponding risk coverage capital in the risk sustainability account.

Market risks

Volksbank Wien-Baden AG pursues a relatively conservative investment policy which takes into account the central organisation's requirements concerning risk diversification and the investment universe. Investments are primarily made within the sector in the central organisation, in issuers with a top credit rating (investment grade) and in low-risk products.

Interest rate risk is the most significant risk in the market risks category. Where necessary in the course of asset liability management, the bank also uses derivative financial instruments in the form of hedging transactions to manage and protect against interest rate risk. The bank targets an interest rate risk coefficient (Austrian National Bank standard procedure: change in present value given a parallel shift of +200 bp in % of eligible qualifying capital 0-15%) as part of the interest rate management strategy. The limits set by this target range enable compliance at all times with the limits provided in the Austrian Banking Act. An

interest rate value at risk (VaR) is calculated as part of the risk sustainability account based on a historical simulation and a holding period of one year.

Credit spread risk represents a further significant risk in the area of market risk. This is calculated using VaR based on a historical simulation and a holding period of one year. The total market risks are combined with the other significant risk categories to form a total risk position and compared to the corresponding risk coverage capital in the risk sustainability account.

Operational and other risks

Volksbank Wien-Baden AG defines operational risk (OpRisk) as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also takes legal risks into account.

The capital requirement is calculated using the standard approach in accordance with the Austrian Banking Act.

The line management responsible for managing operational risks receives support both from the Operational Risk and Internal Control System (ORICS) contact at VBAG as the central organisation, and also from the ORICS team itself. The primary aim of the entire OpRisk management system is to optimise processes to decrease the likelihood of events occurring and/or the impact of operational losses. Events are documented fully and in a sufficiently comprehensible manner to enable third-party experts to make use of the documentation. The BART IT platform is used to document operational events.

The adequacy of risk management and monitoring measures and of additional measures aimed at minimising risk is assessed using OpRisk tests on a continual basis and at least once a year. Management measures relevant in this context include awareness-raising initiatives/training, operational contingency planning, adequate separation of responsibilities, application of the dual control principle and the internal control system (ICS) integrated into business processes.

Management must formally and verifiably accept (remaining) operational risks that cannot be prevented, reduced or transferred. The effectiveness of operational risk management is also confirmed by way of periodic independent audits.

Investment risks

The Association of Volksbanks defines investment risk as the risk that a held investment will default or lose value. Since this risk is material for the Group, it is quantified and taken into

account when determining risk-bearing capacity. Investment risk is divided into the following characteristics:

- Default risk of investments
- Impairment risk of investments
- Foreign exchange risk of investments

The default risk of investments is calculated by the central organisation using the credit risk model and includes not only traditional investments, but also financing provided to those investments which correspond to the definition of IAS 24 Related Parties.

The impairment risk of investments is taken into account by the central organisation by means of discounts on the carrying amounts of the investments in the risk sustainability account.

The foreign exchange risk of investments refers to the risk of a change in the value of consolidated core capital components in non-euro currencies due to exchange rate fluctuations and is calculated based on value at risk via the internal market risk model.

The economic performance of VBAG necessitated a revaluation of Volksbank Wien-Baden AG's indirect investment in the central organisation. Taking into account a guarantee issued by the common fund of the Austrian Volksbank sector to the former Gärtnerbank registrierte Genossenschaft m.b.H. an impairment loss of euro 8.85 million or 75.63% was subsequently recognised on this investment in the year under review. The guarantee by the common fund amounted to euro 2.85 million as at 31 December 2014.

Liquidity risks

Within the division of responsibilities within the Association of Volksbanks, responsibility for liquidity risk is, in principle, entrusted to the central organisation. Volksbank Wien-Baden AG identifies the liquidity situation and expected inflows and outflows within the next 13 months and transfers the data to the central organisation, where liquidity control takes place for the association as a whole. The central organisation carries out liquidity equalisation within the association and ensures that the association can meet its payment obligations at all times.

The basis for liquidity risk management is the organisational framework provided by the liquidity strategy, relevant guidelines and implementation on the ground by managers. This framework must be adequate both under normal circumstances and in stress scenarios. It is to be reviewed regularly. The contribution of the different business activities to liquidity risk is to be identified by means of internal mechanisms and, where appropriate, allocated in the form of transfer prices, taking all costs into account. The organisational structure must be designed so that operational liquidity management is strictly separated from liquidity risk

management and examined by internal auditing accordingly. The strategic liquidity risk, liquidity risk management and liquidity positions of the individual entities should be monitored at association level in particular. The central organisation produces the following using the individual transaction level as a basis:

- The LCR/NSFR report
- A management summary for LCR at individual bank level
- An association liquidity risk report
- A liquidity risk report at individual bank level

Risk coverage with the bank's risk coverage capital

All significant risks are recorded and combined into an overall risk report at least once a quarter in accordance with the requirements set by the central organisation. Potential risks identified for the bank are compared to risk coverage capital. When determining the risk-bearing ability, different objectives may be pursued, which are reflected in three different views.

- Regulatory view (observance of regulatory capital ratios)
- Economic liquidation view
- Economic going concern view

The regulatory view compares the sum of all risks required by the regulator to be covered by capital according to specific risk measurement methods and defined risk-covering capital (based on CRR/CRD IV, SolvaV and the Austrian Banking Act). Assurance of regulatory risk-bearing ability is a minimum requirement, since it is stipulated by law.

The focus in the economic liquidation view is on meeting creditors' claims in the event of liquidation. With this view, the risk-covering capital is defined on the basis of "internal" capital. "Internal" processes – usually value at risk models – are also employed to determine the total risk position.

The going-concern view seeks to ensure the continuation of normal business operations. It is based on risk coverage through capital available in the short term in day-to-day business (operating result, hidden liabilities/reserves and freely available capital where it exceeds the minimum regulatory requirements). Minor, highly probably risks can be accommodated without jeopardising ongoing business operations.

The supervisory bodies are informed of the full risk report. Measures to counteract undesirable developments are discussed with the responsible management staff at regular management meetings and decided by the Supervisory Board if required.

Risk situation

Based on the measures described above, the outcome of risk management and the comparison with other regional banks, the risk situation of Volksbank Wien-Baden AG is deemed to be satisfactory. However, the risk coverage capital has fallen as a result of the impairment of the shares in VBAG. Despite the difficult market environment, Volksbank Wien-Baden AG retained sufficient risk-bearing ability for the bank as a whole in both the regulatory and economic view at all times during the 2014 business year.

SUPPLEMENTARY REPORT

Wolfgang Schauer was appointed as a member of the Managing Board of Volksbank Wien-Baden AG with effect from 1 April 2015. Erich Fuker and Wolfgang Layr resigned their Managing Board mandates with effect from 31 March 2015.

As a result of the Swiss National Bank's announcement on 15 January 2015 that it would no longer support the minimum exchange rate of EUR/CHF 1.20, the Swiss franc appreciated dramatically, reaching approximately EUR/CHF 0.85. The strong appreciation of the franc increased the carrying amount of the CHF loans by up to 20% for a time.

In September 2013, the European Commission approved a plan for the orderly winding-down of the Austrian bank Hypo Alpe-Adria (HAA). A special Hypo law passed by the Austrian National Council in July 2014 laid the foundations for deregulation and the creation of the wind-down unit of Hypo Alpe-Adria International AG. The wind-down unit of the former Hypo Alpe-Adria International AG has operated under the name HETA ASSET RESOLUTION AG since the beginning of November 2014. On 1 March 2015, the resolution authority decided to order resolution measures in accordance with the Act on the Reorganisation and Winding-up of Banks (BaSAG). Volksbank Wien-Baden AG does not hold any securities in HETA ASSET RESOLUTION AG and is therefore unaffected by any potential debt haircut.

FORECAST REPORT

Based on the capital shortfall calculated by the ECB, and pursuant to the order transmitted to VBAG, VBAG in its current role as the central organisation of the Association of Volksbanks is to maintain a SREP ratio of 14.63% in CET1 on a consolidated basis for the Association of Volksbanks from 26 July 2015. The latest forecasts show that this ratio will not be achieved under the current structure. The planned measures, particularly the conversion of VBAG into a company in wind-down pursuant to section 162 of the Federal Act on the Reorganisation and Winding-up of Banks (BaSAG) and the associated transfer of central organisation functions to Volksbank Wien-Baden AG, are intended to materially improve the risk structure of the new association. The Managing Board of VBAG believes that the CET1 ratios currently envisioned for this new association will no longer reflect the association's risk, and therefore expects that the ratio mandated in the order will be substantially smaller, meaning that capital requirements will be able to be satisfied. The ECB's order stipulates that if VBAG determines prior to 26 July 2015 that the restructuring has been successfully completed, the ECB will examine how it can change the current SREP ratio.

A comprehensive transformation project was launched in both banks, drawing on external support, for the purposes of implementing the planned division and creating the company in wind-down. The entire division project should essentially be completed in 2015. A project

such as this naturally involves numerous risks and uncertainties which could prevent the project from being implemented, particularly in connection with approval from the regulatory and supervisory authorities and governing bodies. There are also numerous legal uncertainties, partially as a result of new European and national statutory frameworks, such as the Single Resolution Mechanism (SRM) and the aforementioned (BaSAG). Moreover, the General Meetings of local Volksbanks will need to adopt far-reaching resolutions. However, the Managing Board currently believes that implementing the measures in the capital plan, particularly the restructuring of the association, is challenging but feasible. Intensive efforts are also being made to ensure that necessary approval is obtained from the relevant authorities. In view of the major restructuring and significant changes in the risk profile of the new association, the Managing Board expects the mandated SREP ratio to be revised and believes that the restructured association will be able to comply with the new ratio.

We expect the measures and circumstances described above to ensure the continued existence of the association and thus also of its individual members in future.

The restructuring of the cooperative association aims to align the successful model of strong, regional, independent cooperative banks with today's requirements.

The "Verbund mit Zukunft" (association with a future) project was initiated to ensure that the Association of Volksbanks continues to determine its own future. Volksbank Wien-Baden AG's strategic planning is based on three core objectives:

- Improving earnings power
- Reducing costs
- Strengthening equity (especially from internal financing)
- Optimising risk-weighted assets (RWAs)

Planning for 2015 is clearly aligned with these objectives. With our new sales structure, modern technology and highly trained staff, we have already prepared some of the groundwork for achieving these objectives.

We continue to devote special attention to raising private funds.

Despite expected low interest margins, earnings power will be higher in 2015 than in the previous year as a result of the improved growth outlook. We expect a modest increase in operating profit in 2015 based on the planned, qualitative increase in lending and growth in our service business. Offering terms and additions that are in line with market needs will help us to achieve this goal. We will put a spotlight on ongoing customer support and high-quality advice.

The measures already taken to improve efficiency will continue in 2015 in order to help ensure that we improve the total earnings situation, and thus our results, by optimising use of resources.

A careful and balanced risk strategy based on the lending strategy we have formulated will help to ensure that the improved earnings power is also reflected in stronger equity levels.

We intend to reduce risk-weighted assets by optimising the collateral situation in lending. The planned growth in lending will be neutralised using appropriate measures in relation to RWAs.

By implementing the planned measures consistently, we expect to achieve the objectives we have formulated together, provided that no exceptional or currently unpredicted events occur. We are therefore confident that Volksbank Wien-Baden AG will continue to perform successfully.

The merger plan agreed at the group meeting on 7 November 2014 envisages the following mergers for Volksbank Wien-Baden AG by 2017:

- Volksbank Niederösterreich Süd eG
- Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung
- Volksbank Weinviertel e.Gen.
- Volksbank Marchfeld e.Gen.
- Volksbank Obersdorf – Wolkersdorf – Deutsch-Wagram e.Gen.
- Volksbank Südburgenland eG

In addition to the takeover of VBAG's association functions, mergers are planned with Volksbank Ost reg.Gen.m.b.H. and Volksbank Obersdorf – Wolkersdorf – Deutsch – Wagram e.Gen. in 2015.

Report on research and development

Volksbank Wien-Baden AG was not involved in any research and development.

Report on branch offices

Volksbank Wien-Baden AG does not have any branch offices.

Vienna, 10 April 2015

Volksbank Wien-Baden AG

Josef Preissl

Wolfgang Schauer

ASSETS	Euro	Euro	Euro	Prev. yr. in Euro thousand
1. Cash in hand, balances with central banks and post office giro institutions			31.057.282,77	32.431
2. Public-sector debt instruments and bills that are eligible for refinancing with central banks				
a) public-sector debt instruments and similar securities		10.532.547,07		5.397
b) bills of exchange eligible for refinancing with central banks		---	10.532.547,07	--
				5.397
3. Loans and advances to credit institutions				
a) on demand		773.963.519,69		1.044.734
b) other receivables		6.662.252,86	780.625.772,55	132.668
				1.177.402
4. Loans and advances to customers			2.404.335.991,78	2.226.259
5. Debt securities				
a) of public-sector issuers		---		--
b) of other issuers		46.307.593,10	46.307.593,10	186.511
<i>of which:</i>				
<i>own bonds</i>	--,--			--
6. Equity and other variable-yield securities			23.832.936,71	87.929
7. Investments in other companies			10.764.266,23	12.351
<i>of which:</i>				
<i>in credit institutions</i>	6.885.319,23			6.885
8. Shareholdings in affiliated companies			6.803.620,79	6.734
<i>of which:</i>				
<i>in credit institutions</i>	--,--			--
9. Intangible fixed assets				
			9.980,13	30
10. Tangible assets			51.287.472,51	44.457
<i>of which:</i>				
<i>land and buildings used by the credit institution for its own activities</i>	22.789.489,71			22.789
11. Treasury stocks, and shares in companies where a controlling or majority interest is held				
<i>of which:</i>				
<i>face value</i>	--,--			--
12. Other assets			11.700.784,25	13.790
13. Subscribed capital, called but not yet paid			---	--
14. Deferred items			8.152.010,22	8.069
<i>of which:</i>				
<i>deferred taxes pursuant to section 198 Austr</i>	6.958.783,39			6.958
TOTAL ASSETS			3.385.410.258,11	3.801.368
Off-balance-sheet items				
1. Foreign assets			74.861.558,02	43.926

BALANCE SHEET AS AT 31 DECEMBER 2014

LIABILITIES AND EQUITY	Euro	Euro	Euro	Prev. yr. in Euro thousand	
1. Amounts owed to credit institutions					
a) on demand		19.681.514,03		30.360	
b) with agreed maturities or periods of notice		<u>55.474.448,23</u>	75.155.962,26	275.027	305.387
2. Amounts owed to customers					
a) Saving deposits		1.469.460.246,69		1.463.006	
of which:					
aa) on demand	380.407.487,58			346.606	
bb) with agreed maturities or periods of notice	1.089.052.759,11			1.116.400	
b) Other liabilities		<u>1.591.913.141,36</u>	3.061.373.388,05	1.770.267	3.233.273
of which:					
aa) on demand	1.362.778.201,18			1.448.632	
bb) with agreed maturities or periods of notice	229.134.940,18			321.634	
3. Debts evidenced by securities					
a) debt securities in issue		4.895.000,00		--	
b) other debts evidenced by certificates		<u>--,--</u>	4.895.000,00	37.173	37.173
4. Other liabilities			6.430.863,59		6.708
5. Deferred items			193.225,83		224
6. Provisions					
a) provisions for severance payments		8.300.115,00		7.007	
b) provisions for pensions		5.435.948,03		5.420	
c) provisions for taxation		--,--		--	
d) other		<u>14.596.961,48</u>	28.333.024,51	15.199	27.627
6a. Fund for general banking risks			9.500.000,00		2.762
7. Tier 2 capital pursuant to Part 2 Title 1 Chapter 4 of Regulation (EU) No. 575/2013			30.726.000,00		13.659
8. Additional Tier 1 capital pursuant to Part 2 Title 1 Chapter 3 of Regulation (EU) No. 575/2013			--,--		7.527
8a. Mandatory convertible bonds pursuant to section 26 Austrian			--,--		--
8b. Instruments without voting rights pursuant to section 26a			--,--		--
9. Subscribed capital			56.454.375,00		72.483
10. Capital reserves					
a) committed		42.622.567,71		38.858	
b) uncommitted		<u>--,--</u>	42.622.567,71	--	38.858
11. Retained earnings					
a) statutory reserve		--,--		--	
b) reserves according to articles of association		--,--		--	
c) other reserves		<u>25.060.783,84</u>	25.060.783,84	14.239	14.239
12. Liability reserve pursuant to section 23 (6) Austrian Banking Act			35.877.671,37		32.784
13. Net profit			6.855.923,87		6.618
14. Untaxed reserves					
a) valuation reserve due to special depreciation		1.876.905,04		1.967	
b) other untaxed reserves		<u>54.567,04</u>	1.931.472,08	72	2.040
of which:					
Investment reserve pursuant to section 9 Austrian					
Income Tax Act 1988	--,--			--	
Investment allowance pursuant to section 10					
Austrian Income Tax Act 1988	--,--			--	
Rental reserve pursuant to section 11 Austrian					
Income Tax Act 1988					
cc) § 11 EStG 1988	--,--			--	
Transfer reserve pursuant to section 12 Austrian					
Income Tax Act 1988	--,--			--	
TOTAL LIABILITIES AND EQUITY			3.385.410.258,11		3.801.368
Off-balance-sheet items					
1. Contingent liabilities			227.904.851,47		231.268
of which:					
Acceptances and endorsements arising from the endorsement of bills of exchange passed on					
a)	--,--			--	
Liabilities arising from guarantees and assets pledged as collateral	227.904.851,47			231.268	
2. Credit risks			325.301.763,35		330.195
of which: Liabilities arising from repurchase agreements	--,--			--	
3. Liabilities arising from trust transactions			2.751.820,87		1.705
4. Eligible capital pursuant to Part 2 of Regulation (EU) No. 575/2013			208.004.133,15		197.777
of which: Tier 2 capital pursuant to Part 2 Title 1 Chapter 4 of Regulation (EU) No. 575/2013	--,--			--	
5. Own funds requirements pursuant to Art. 92 of Regulation (EU) No. 575/2013			--,--		--
of which:					
Own funds requirements pursuant to Art. 92 (1) (a) of Regulation (EU) No. 575/2013 (Common Equity Tier 1 capital ratio in %)	--,--			--	
Own funds requirements pursuant to Art. 92 (1) (b) of Regulation (EU) No. 575/2013 (Tier 1 capital ratio in %)	--,--			--	

Own funds requirements pursuant to Art. 92 (1) (c) of
Regulation (EU) No. 575/2013
(total capital ratio in %)

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6. Foreign liabilities

62.967.383,05

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58.026

	Euro	Euro	Euro	Prev. yr. in Euro thousand	
1. Interest and similar income			85.188.600,86	86.718	
<i>of which:</i>					
<i>from debt securities</i>	4.358.915,62			9.179	
2. Interest and similar expenses			-29.884.265,05	-36.413	
I. NET INTEREST INCOME			55.304.335,81	50.304	
3. Income from securities and equity investments					
a) Income from equities and other variable yield securities		1.781.485,68		2.876	
b) Income from participations		311.183,59		241	
c) Income from shareholdings in affiliated companies		<u>350.853,08</u>	2.443.522,35	290	3.408
4. Fee and commission income			35.941.811,09	33.654	
5. Fee and commission expenses			-2.692.141,02	-2.681	
6. Income from financial transactions			380,80	415	
7. Other operating income			2.232.914,99	1.820	
II. OPERATING INCOME			93.230.824,02	86.921	
8. General administrative expenses					
a) Staff expenses		-42.363.262,27		-39.535	
<i>of which:</i>					
aa) Wages and salaries	-30.744.983,37			-28.588	
bb) Expenses for statutory social security and remuneration-dependent charges and mandatory contributions	-8.361.472,21			-7.942	
cc) Other social security expenses	-774.417,15			-656	
dd) Expenses for pension schemes and other benefits	-1.113.331,75			-1.050	
ee) Allocation to provision for pensions	312.309,00			153	
ff) Expenses for severance payments and contributions to company pension funds	-1.681.366,79			-1.451	
b) Other administrative expenses (material expenses)		<u>-26.549.035,64</u>	-68.912.297,91	-25.284	-64.819
9. Valuation allowances for the assets listed under asset items 9 and 10			-4.881.704,46	-3.649	
10. Other operating expenses			-1.103.683,39	-1.046	
III. OPERATING EXPENSES			-74.897.685,76	-69.515	
IV. OPERATING RESULT			18.333.138,26	17.406	
11.+12. Balance of valuation allowances for receivables and allocations to provisions for contingent liabilities, and income from the reversal of valuation allowances for receivables and from provisions for contingent liabilities.			-530.617,14	-4.260	
13.+14. Balance of valuation allowances for securities treated as financial assets and for participations and shareholdings in affiliated companies, and income from valuation allowances for securities treated as financial assets			1.369.129,51	-4.554	
V. RESULT OF ORDINARY BUSINESS OPERATIONS			19.171.650,63	8.591	

	Euro	Euro	Euro	Prev. yr. in Euro thousand		
15. Extraordinary income		2.850.000,00		--		
<i>of which:</i>						
<i>Withdrawals from the fund</i>						
<i>for general banking risks</i>	--,--			--		
16. Extraordinary expenses		-6.737.234,65		--		
<i>of which:</i>						
<i>Allocations to the fund</i>						
<i>for general banking risks</i>	-6.737.234,65			--		
17. Extraordinary result (subtotal of items 15 and 16)			-3.887.234,65	--		
18. Taxes on income			-2.033.945,42	382		
19. Other taxes not to be recognised in item 18			-1.517.090,11	-800		
VI. NET PROFIT FOR THE YEAR			11.733.380,45	8.173		
Changes in reserves	Dotierung (-)	Auflösung (+)		Dotierung (-) Auflösung (+)		
a) committed capital reserves	--,--	--,--		--	--	
b) uncommitted capital reserves	--,--	--,--		--	--	
c) retained earnings statutory reserve	--,--	--,--		--	--	
d) retained earnings reserve according to ar	--,--	--,--		--	--	
e) other retained earnings	-5.029.251,68	--,--		-1.688	--	
f) liability reserve pursuant to section 57 (5) Austrian Banking Act	--,--	--,--		--	--	
g) valuation reserve due to special depreciation	--,--	107.508,02		--	103	
h) investment reserve pursuant to section 9 Austrian Income Tax Act 1988	--,--	--,--		--	--	
i) investment allowance pursuant to section 10 Austrian Income Tax Act 1988	--,--	--,--		--	--	
j) rental reserve pursuant to section 11 Austrian Income Tax Act 1988	--,--	--,--		--	--	
k) transfer reserve pursuant to section 12 Austrian Income Tax Act 1988	--,--	--,--		--	--	
l) other untaxed reserves	--,--	31.309,68		--	23	
20. Changes in reserves	-5.029.251,68	138.817,70	-4.890.433,98	-1.688	126	-1.561
VII. ANNUAL PROFIT			6.842.946,47	6.612		
21. Profit carried forward			12.977,40	6		
VIII. BALANCE SHEET PROFIT			6.855.923,87	6.618		

Vienna, 10 April 2015

Volksbank Wien-Baden AG

The Managing Board:

Josef Preissl

Wolfgang Schauer

APPENDIX to the 2014 FINANCIAL STATEMENTS

The comparison figures for the previous year have been rounded to the nearest thousand (euros) and are shown in brackets. Rounding differences therefore cannot be ruled out. The previous year's figures are not comparable due to the transfer of the banking operations of Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung to Volksbank Wien-Baden AG.

1. Accounting and valuation methods

The 2014 financial statements have been prepared in accordance with the provisions of the Austrian Banking Act and the Austrian Commercial Code. The principle of individual item valuation was applied for the asset values and debts, and the continued existence of the bank assumed.

The financial statements have been prepared in accordance with the principles of proper accounting and the general requirement to communicate as true and fair a view as possible of the company's assets, finances and earnings.

The principle of prudence was applied, paying particular attention to the special features of the banking business.

Securities held as current assets in the amount of euro 5,128,206.90 (euro 0) were assigned to fixed assets as these will now serve the company's operations long-term.

The assumed interest rate used to calculate the provision for severance payments in accordance with the principles of financial mathematics, as well as the provision for pensions in accordance with actuarial principles, was changed from 2.5% to 2.25%. This resulted in an increase of euro 131,461.00 in the provision for severance payments and an increase of euro 94,584.00 in the provision for pensions.

The structure of the statement of financial position and of the income statement was amended due to changes in the Austrian Banking Act.

The previous year's values for liability items 3, 7, 8 and 9 are not comparable as reclassifications took place in response to the legal amendments to annex 2 to section 43, part I.

Assets and liabilities in foreign currencies were valued using the relevant average exchange rate.

Forward exchange transactions were recorded at the forward rate.

2. Restructuring of the Volksbank sector, measures resulting from the ECB stress test to safeguard the company's continued existence

Together with Österreichische Volksbanken-Aktiengesellschaft (VBAG), the Volksbanks have formed a banking association as defined in section 30a of the Austrian Banking Act. The association came into existence on 1 October 2012.

Volksbank Wien-Baden AG is a credit institution within the Association of Volksbanks (joint liability scheme and liquidity association). VBAG is the association's central organisation.

The obligations of the individual member credit institutions arising from the joint liability scheme are limited to the amount that the member institution is able to pay without falling short of the regulatory minimum own funds requirements applicable to individual credit institutions that do not belong to a banking association within the meaning of section 30a of the Austrian Banking Act.

Volksbank Wien-Baden AG also bears default liability on a proportionate basis for a guarantee commission payable by the central organisation on any government guarantee for the central organisation.

The ECB took over direct supervision of the 130 largest European banks on 4 November 2014. Prior to beginning this supervisory role, it submitted these banks to extensive tests – the “comprehensive assessment” (CA). The Austrian Association of Volksbanks was one of six Austrian banking groups to undergo this assessment. The ECB calculated that the Association of Volksbanks had an aggregated capital shortfall of euro 864.72 million, however this figure did not take into account the Association of Volksbanks' plans for the future.

A capital plan was submitted to the ECB on 10 November 2014, which presented the measures planned to cover the capital shortfall identified by the comprehensive assessment. The key element in this capital plan

is the reorganisation of the Association of Volksbanks and the associated restructuring of VBAG. The Managing Board of VBAG resolved to reorganise VBAG's structures on 2 October 2014. The top institution, VBAG, will be divided. Those duties that VBAG is statutorily required to fulfil as the Association of Volksbanks' central organisation will be transferred to a large regional Volksbank.

It is intended that Volksbank Wien-Baden AG will take on these association functions. Service functions that VBAG provides to the Volksbank sector and that are necessary to ensure that the banks operate correctly will also be transferred. The VBAG staff required for the association and service functions are to be transferred to Volksbank Wien-Baden AG. The assets and liabilities required, among other things, for liquidity control in the association and for the syndicate business total approximately euro 8.5 billion and will be spun off to Volksbank Wien-Baden AG. A capital increase of approximately euro 120 million is to be carried out as a result of the transfer of these assets and liabilities. This capital is to be provided by the Association of Volksbanks. To enable Volksbank Wien-Baden AG to comply with the risk policy guidelines in the lending business, the Volksbanks are to issue guarantees to Volksbank Wien-Baden AG.

The future costs of the association will be borne by the entire Volksbank sector and governed by a definitive cost transfer agreement. Reducing the association's costs is essential to making a successful new start and represents a major challenge for the whole of the Association of Volksbanks.

The plan is for the remainder of VBAG to leave the joint liability scheme in the first half of 2015, surrender its banking licence and be fully liquidated. Following the surrender of its banking licence, VBAG will no longer be subject to supervision by the banking regulator and the regime of capital requirements for banks. Implementation of these restructuring plans is subject to approval under supervisory law and EU laws on state aid.

In accordance with the resolution by the Volksbanks at the Group meeting on 2 October and 7 November 2014, small and medium-sized institutions are to be merged into eight strong regional banks that will cooperate closely in future. These will be complemented by three specialist institutions.

We expect the measures and circumstances described above to ensure the continued existence of the association and thus also of its individual members in future.

Based on the capital shortfall calculated by the ECB, and pursuant to the order transmitted to VBAG, the Association of Volksbanks is to maintain a SREP ratio of 14.63% in CET1 on a consolidated basis for the Association of Volksbanks from 26 July 2015. The latest forecasts show that this ratio will not be achieved under the current structure. The planned measures, particularly the conversion of VBAG into a company in wind-down and the associated transfer of central organisation functions to Volksbank Wien-Baden AG, are intended to materially improve the risk structure of the new association. However, it can be assumed that the CET1 ratios currently envisioned for this new association will no longer reflect the association's risk, and the VBAG Managing Board therefore expects a substantial reduction in the ratio mandated by the ECB. The bank can therefore be expected to fulfil the capital requirements. The ECB's order stipulates that if VBAG determines prior to 26 July 2015 that the restructuring has been successfully completed, the ECB will examine how it can change the current SREP ratio.

Substantial business relationships with VBAG exist in the form of loans and advances to credit institutions of euro 764,701,248.67 (euro 1,174,762,000), debt securities of euro 2,145,716.52 (euro 184,556,000), liabilities to credit institutions of euro 56,438,807.09 (euro 276,008,000) and liabilities from assets pledged as collateral of euro 115,023,291.89 (euro 96,259,000).

3. Notes to the statement of financial position and income statement

The banking operations of Gärtnerbank registrierte Genossenschaft mit beschränkter Haftung were transferred to Volksbank Wien-Baden AG during the 2014 business year in accordance with section 92 (2) and (3) no. 2 of the Austrian Banking Act by way of universal succession as per section 92 (4) of the Austrian Banking Act. The transfer was based on the statement of financial position for commercial law and tax purposes as at 31 December 2013. In connection with the transfer of the business of Gärtnerbank registrierte Genossenschaft mit beschränkter Haftung, the share capital of Volksbank Wien-Baden AG was increased by euro 1,714,406.25 from euro 54,739,968.75 to euro 56,454,375.00 with the issue of 18,287 new no par value shares.

The international rating agency for banks, FitchRatings, affirmed its long-term rating of "A" for the Association of Volksbanks and Volksbank Wien-Baden AG on 7 August 2014, however it also retained the negative outlook.

Investments in other companies, shares in affiliated companies and other ownership interests are carried at cost using the moderate lower of cost or market principle.

In response to a guarantee issued by the common fund of the Austrian Volksbank sector to the former Gärtnerbank reg. Genossenschaft m.b.H., a write-down of euro 8,846,666.98 (euro 5,943,000) to the lower fair value was taken on the indirect investment in the top institution. The guarantee by the common fund amounted to euro 2,850,000.00 as at 31 December 2014.

Investments in other companies, shares in affiliated companies and other ownership interests are carried at cost using the moderate lower of cost or market principle.

In response to a guarantee issued by the common fund of the Austrian Volksbank sector to the former Gärtnerbank, registrierte Genossenschaft mit beschränkter Haftung, a write-down of euro 8,846,666.98 (euro 5,943,000) to the lower fair value was taken on the indirect investment in the top institution. The guarantee by the common fund amounted to euro 2,850,000.00 as at 31 December 2014.

Securities held as fixed assets in the other asset items were recognised using the moderate lower of cost or market principle.

The bank made use of the option to write these assets down pro rata temporis as provided for in section 56 (2) and (3) of the Austrian Banking Act.

No impairment losses of euro 7,528.93 (euro 0) were recognised in accordance with section 204 (2) of the Austrian Commercial Code on securities with a carrying amount of euro 811,937.21 (euro 0) as it can be assumed that the impairment is not permanent. The impairment is not anticipated to be permanent as the issuer's creditworthiness is not expected to worsen.

The difference between the acquisition costs of fixed-income securities held as fixed assets and their amount repayable at maturity, which is written off pro rata temporis in accordance with section 56 (2) of the Austrian Banking Act, is euro 1,922,978.90 (euro 0).

Loans and advances to credit institutions, loans and advances to customers and other loans and advances held as current assets were valued under the strict lower of cost or market principle in accordance with section 57 (1) of the Austrian Banking Act.

Securities held as current assets were recognised using the strict lower of cost or market principle.

SECURITIES ADMITTED TO STOCK EXCHANGE TRADING IN ACCORDANCE WITH SECTION 64 (1) NO. 10 AUSTRIAN BANKING ACT:

<i>Exchange-listed securities</i>	in euro	Previous year in euro thousands
Debt securities	45,726,742.13	182,799

SECURITIES ADMITTED TO STOCK EXCHANGE TRADING – TYPE OF VALUATION (SECTION 64 (1) NO. 11 AUSTRIAN BANKING ACT)

Allocation to fixed assets or current assets is decided on a case-by-case basis by the responsible bodies

<i>Fixed assets</i>	in euro	Previous year in euro thousands
Debt securities	45,726,742.13	182,799

The bank does not have a securities trading book.

Relationships to affiliated companies

Shares in affiliated companies within the meaning of section 228 (3) of the Austrian Commercial Code are comprised as follows (figures in euros):

Company name/registered office	Share of capital in %	Business year	Equity in last business year	Profit or loss In last business year
"VVG" Vermögensverwaltungs & Verwertungs Gesellschaft m.b.H., Vienna	100	2014	1,619,546.49	40,853.08
VOBA Vermietungs- und Verpachtungsges.m.b.H., Baden	99	2014	5,721,305.79	184,969.38
Immo-Contract Baden Maklergesellschaft m.b.H., Baden	100	2013 / 2014	263,138.59	79,834.34
Gärtnerbank Immobilien GmbH, Vienna	99	2013	52,409.25	24,705.48
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH, Vienna	99	2013	17,685.40	-10,610.69

A profit and loss transfer agreement has been concluded with the following companies:

- VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.

The bank and the following companies are taxed together as a single entity:

- VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.
- Immo-Contract Baden Maklergesellschaft m.b.H.
- GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH
- Gärtnerbank Immobilien GmbH

The period-based calculation method (*Periodenabrechnungsmethode*) is used for tax allocations

Investments in other companies within the meaning of section 228 (1) and (2) in conjunction with section 238 (2) of the Austrian Commercial Code are comprised as follows (figures in euros):

Company name/registered office	Share of capital in %	Business year	Equity in last business year	Profit or loss in last business year
Wiener Landwirtschaftliche Siedlungsgesellschaft mit beschränkter Haftung, Vienna	33.33	2013	215,636.05	-196.73

Disclosure of the financial statements for the association is by Österreichische Volksbanken-Aktiengesellschaft, with registered office in Vienna, to the Vienna Commercial Court.

The introduction of section 30a of the Austrian Banking Act expanded on the exception provided under section 30 (4) no. 3 of that Act for groups of credit institutions. As a member of the Association of Volksbanks, Volksbank Wien-Baden AG is therefore not required to prepare consolidated financial statements in accordance with section 59 of the Austrian Banking Act.

The central organisation, Österreichische Volksbanken-Aktiengesellschaft, is required to prepare financial statements for the association.

Securitized and unsecuritized receivables from companies in which a participating interest is held:

	in euro	Previous year in euro thousands
Loans and advances to credit institutions	764,701,248.67	1,174,834
Loans and advances to customers	894.82	0
Debt securities	2,145,716.52	184,556

Securitized and unsecuritized liabilities to companies in which a participating interest is held:

	in euro	Previous year in euro thousands
Amounts owed to credit institutions	56,438,807.09	276,035
Amounts owed to customers	212,306.24	23
Securitized liabilities	8,000.00	0
Subordinate liabilities	100,000.00	0

Securitized and unsecuritized receivables from affiliated companies:

	in euro	Previous year in euro thousands
Loans and advances to customers	2,044,886.59	30

Securitized and unsecuritized liabilities to affiliated companies:

	in euro	Previous year in euro thousands
Liabilities to customers	4,752,107.48	2,363

As at the balance sheet date, the carrying amounts of developed and undeveloped land totalled euro 10,564,348.71 (euro 6,492,000).

Tangible and intangible assets are valued at cost less depreciation/amortisation. Depreciation/amortisation is on a straight-line basis. Buildings are depreciated over a period of 25 to 67 years, and office furniture and operating equipment over three to 20 years. Intangible assets are amortised over a period of 3 to 5 years.

Assets of minor value are fully written off in their year of acquisition and recorded in the fixed asset movement schedule as additions and disposals.

Fixed asset movement schedule (section 226 (1) Austrian Commercial Code in conjunction with section 43 (1) Austrian Banking Act; all figures in euros):

Fixed asset items	Costs as at 1.1.	Additions in business yr	Additions through restructuring	Disposals in business yr	Reclassification in business yr	Cost	Write-ups in business yr	Cumulative write-downs	Carrying amount	Carrying amount prev. year in euro thousands	Cumulative write-downs in business yr
2.a) Debt instruments issued by public bodies and similar securities	5,604,500.00	13,696,740.00	0.00	8,788,240.00	0.00	10,513,000.00	0.00	111,605.67	10,401,394.33	5,250	42,005.67
3. Loans and advances to credit institutions (securities)	0.00	200,000.00	709,920.00	709,920.00	0.00	200,000.00	0.00	0.00	200,000.00	0	0.00
4. Loans and advances to customers (securities)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0.00
5. Debt securities	182,862,800.00	59,554,600.37	374,775.00	196,810,852.22	0.00	46,001,323.15	0.00	274,581.02	45,726,742.13	182,799	274,581.02
6. Shares and other variable-yield securities	86,295,622.82	7,305,312.77	3,821,412.00	73,484,263.94	0.00	23,938,083.65	0.00	393,057.91	23,545,025.74	82,755	10,790.57
7. Investments in other companies	31,915,335.57	0.00	18,182,663.85	792,000.00	0.00	49,305,999.42	0.00	38,541,733.19	10,764,266.23	12,352	8,846,666.98
8. Investments in affiliated companies	6,734,320.79	50,000.00	70,000.00	700.00	0.00	6,853,620.79	0.00	50,000.00	6,803,620.79	6,734	50,000.00
9. Intangible fixed assets	1,406,691.59	1,185.60	62,187.51	105,031.56	0.00	1,365,033.14	0.00	1,355,053.01	9,980.13	30	21,557.69
10. Tangible assets	95,063,245.13	2,877,247.87	12,642,412.40	2,605,010.93	0.00	107,977,894.47	0.00	56,690,421.96	51,287,472.51	44,457	4,860,146.77
12. Other assets	1,872.70	0.00	0.00	0.00	0.00	1,872.70	0.00	0.00	1,872.70	2	0.00
Total	409,904,388.60	83,685,086.61	35,863,370.76	283,296,018.65	0.00	246,156,827.32	0.00	97,416,452.76	148,740,374.56	334,380	14,105,748.70

The following subordinated assets are reported on the assets side:

	in euro	Previous year in euro thousands
Debt securities	800,000.00	0

Obligations are carried with the repayment amount.

Trustee savings deposits totalled euro 7,850,780.96 (euro 7,225,000) as at the balance sheet date. The cover reserve for these deposits consists of low-risk, eligible securities and totals euro 15,404,977.38 (euro 16,923,000).

Provisions for pension obligations were calculated according to actuarial principles using the entry age normal method based on an assumed interest rate of 2.25% and the Pagler-Pagler calculation tables.

A provision of euro 4,248,470.00 (euro 4,290,000) is recognised for tax purposes. The taxable portion of the pension provision amounts to euro 1,187,478.03 (euro 1,131,000).

The provisions for severance agreements were calculated according to the principles of financial mathematics based on an interest rate of 2.25% using the expert opinion of the Institute for Business Management, Tax Law and Organization of the Chamber of Public Accountants.

The other provisions take into account all identifiable risks and the amounts of the liabilities not yet fixed using the amounts required based on reasonable commercial judgement and the prudence principle.

Other provisions primarily include bonuses, unused holiday entitlements, anniversary bonuses and auditing and legal costs.

Expenses for subordinated liabilities totalled euro 579,929.13 (euro 606,000) in the year under review.

The share capital as at 31 December 2014 was euro 56,454,375.00 (euro 54,740,000), divided into 602,180 no par value shares.

The valuation reserve recorded the following changes over the course of the year under review:

	As at 1.1.	Additions	Withdrawals / use	Carrying amount
Securities held as fixed assets	331,226.99	0.00	0.00	331,226.99
Participations	8,717.17	0.00	0.00	8,717.17
Shares in affiliated companies	865,961.93	0.00	0.00	865,961.93
Tangible assets	761,855.44	0.00	107,508.02	670,998.95
TOTAL	1,967,761.53	0.00	107,508.02	1,876,905.04

The core capital is comprised of:

Paid-up capital instruments	56,454,375.00
Reserves	105,492,495.00
Fund for general banking risks	9,500,000.00
Deductions from items categorised as common equity tier 1 instruments	9,980.13
Grandfathered capital instruments categorised as common equity tier 1	14,195,200.00
Additional tier 1 capital	0.00
Deductions from items categorised as additional tier 1 capital instruments	0.00
Grandfathered capital instruments categorised as additional tier 1 capital	0.00

Tier 2 capital is comprised as follows:

Tier 2 capital	19,122,977.53
Deductions from items categorised as tier 2 capital instruments	402,989.04
Grandfathered capital instruments categorised as tier 2	3,652,054.79

Return on capital employed was 0.34%.

A guarantee of euro 11,454,132.85 (euro 3,308,000) has been issued to the sector's protection scheme.

Assets denominated in foreign currencies to the total of euro 283,217,370.67 (euro 335,164,000) and liabilities denominated in foreign currencies to the total of euro 76,061,719.45 (euro 294,430,000) are reported under assets and liabilities respectively.

The following forward transactions had been entered into as at the balance sheet date (volumes):

	in euro Volume	in euro Market value	Prev. yr in euro thousands Volume	Prev. yr in euro thousands Market value
Interest rate swaps	175,812,069.77	-8,588,765.50	202,067	-5,823
Interest rate options	41,747,155.50	-487,067.02	54,156	141
Forward exchange transactions	2,560,628.48	0.00	490	0
Currency swaps	225,335,918.10	-122,607.35	40,346	85
Credit derivatives	0.00	0.00	21,000	113

The fair value (market value) of derivative financial instruments was calculated using the marked-to-model method based on the ECB exchange rates applicable on the balance sheet date for transactions in a foreign currency, as well as the applicable yield curves for interest rate instruments and volatility curves for option transactions.

The interest rate swaps concluded are used to hedge interest rate risk. These interest rate swaps made a negative contribution of euro 2,225,133.08 (euro 371,000) to net interest income.

Option premiums with a carrying amount of euro 284,315.95 (euro 320,000) are reported under other assets and prepaid expenses/deferred charges.

Micro-hedge/Portfolio hedge

A micro-hedge involving interest rate swaps, caps, floors and currency swaps are used to hedge against interest rate risk and currency risk arising from loans and advances to customers, fixed-income securities and own issues.

The hedging transactions as part of the micro-hedge were concluded for a period of 32 days to 23 years.

The fair values as at the balance sheet date were:

	Market value
Interest rate swaps	-8,588,765.50
Interest rate options	-487,067.02
Currency swaps	-122,607.35

The effectiveness of the hedge is based on the opposing risk parameters of underlying and hedging transactions.

The valuation effects for the interest rate swaps, caps, floors and currency swaps are attributable to changes in the yield curve and currency fluctuations.

Interest rate risk is calculated with the aid of SAP and controlled by regular asset/liability meetings. The limits provided for in section 69 (3) of the Austrian Banking Act are monitored to ensure compliance. Interest rate risk is also calculated for a total of 20 different interest rate scenarios based on present values of interest-bearing and interest-sensitive assets and liabilities. The hedging instruments are adjusted based on expected interest rates and the interest rate risk that has been calculated.

Breakdown of loans/advances and balances not due on demand:

	in euro	Prev. yr in euro thousands
Up to 3 months	105,075,027.25	189,638
3 months to 1 year	255,729,424.04	253,797
1 year to 5 years	664,892,659.15	585,318
More than 5 years	1,314,923,332.95	1,265,091

Breakdown of liabilities not due on demand:

	in euro	Prev. yr in euro thousands
Up to 3 months	337,470,362.09	484,294
3 months to 1 year	438,971,675.93	567,217
1 year to 5 years	563,527,526.14	644,142
More than 5 years	33,692,583.36	17,411

Debt securities of euro 6,958,544.43 (euro 40,208,000) will be due in the year following the balance sheet date.

The total value of collateral to secure the obligations reported under liabilities or under off-balance-sheet liabilities is as follows:

Assets pledged as collateral	in euro	Prev. yr in euro thousands
Loans and advances to credit institutions	13,280,100.00	0
Loans and advances to customers	101,743,191.89	96,259
Total collateral	115,023,291.89	96,259

Secured liabilities under item	in euro	Prev. yr in euro thousands
Contingent liabilities	115,023,291.89	96,259
Total secured liabilities	115,023,291.89	96,259

Obligations from rental agreements:

	in euro	Prev. yr in euro thousands
For the next business year	4,016,000.00	3,738
For the next five business years	20,080,000.00	18,690

Expenses for severance payments of euro 1,460,467.13 (euro 1,249,000) are included in expenses for statutory social security and remuneration-dependent charges and mandatory contributions.

The costs for auditing of the financial statements amounted to euro 249,731.71 (euro 203,000) in the year under review.

Extraordinary income includes income from the recovery funding (*Besserungsgeld*) of the common fund in the amount of euro 2,850,000.00 (euro 0).

81.07% of taxes on income were attributable to the result of ordinary business activities and approximately 18.93% to net extraordinary income.

The following distribution of profits is to be proposed to the bodies for resolution:

Dividends on ordinary shares euro 6,517,996.34, dividends on participation capital euro 273,495.43, and the remainder of euro 64,432.10 to be carried forward to new account.

4. Information on management bodies and employees

The bank employed an average of 556.50 (547) banking/office staff and 16.70 (16) other staff in the year under review.

Loans to Managing and Supervisory Boards

	In year under review		In previous year	
	Managing Board in euro	Supervisory Board in euro	Managing Board in euro thousands	Supervisory Board in euro thousands
Loans granted	2,864.98	39,702.16	330	1
Loans repaid in business year	27,998.31	23,651.31	28	13

The terms and collateral are in line with market standards.

Expenditure for severance payments and pensions

	In year under review Expenditure for severance payments and pensions in euro	In previous year Expenditure for severance payments and pensions in euro thousands
Managing Board and senior management	332,185.46	246
Other staff	2,150,204.08	2,102

The total compensation paid to current and former managers and their surviving dependants totalled euro 1,053,166.82 (euro 1,040,000) in the year under review.

The total compensation paid to current and former Supervisory Board members and their surviving dependants totalled euro 110,630.00 (euro 49,000) in the year under review.

Managing Board:

Josef Preissl (Chairman)

Erich Fuker (until 31 March 2015)

Wolfgang Layr (until 31 March 2015)

Wolfgang Schauer (from 1 April 2015)

Supervisory Board:

Harald Berger (Chairman until 19 February 2015, member from 20 February 2015)

Otto Zeller (member until 29 June 2014, First Deputy Chairman from 30 June 2014)

Franz Gartner (Second Deputy Chairman)

August Breininger

Leo W. Chini (member until 3 March 2015, Chairman from 4 March 2015)

Stefan Felbermayer (from 1 November 2014)

Werner Foidl

Martin Holzer

Markus Hörmann

Alfons Klebl

Eva-Maria Kohout-Lintner (from 1 November 2014)

Rainer Kuhnle

Ingrid Laki (from 1 November 2014)

Johannes Monsberger (from 2 October 2014)

Rainer Obermayer (from 1 November 2014)

Anton Pauschenwein

Rudolf Riener

Martina Verena Rittmann-Müller

Christian Rudorfer

Gerlinde Weilguni

Manfred Worschischek

Thomas Greider (until 1 November 2014)

Thomas Haslinger (until 1 November 2014)

Gerlinde Hermann (until 1 November 2014)

Michael Klampfl (until 23 September 2014)

Adelheid Ploderer (until 1 November 2014)

Vienna, 10 April 2015

Josef Preissl Wolfgang Schauer

Please refer to the website of Österreichische Volksbanken Aktiengesellschaft – www.volksbank.com – for the disclosure required under Article 431 of the CRR.