

# **ANNUAL**

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# **REPORT**

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# **2013**

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**IFRS-COMPLIANT CONSOLIDATED**  
**FINANCIAL STATEMENTS**

# Overview of the Raiffeisenlandesbank NÖ-Wien Group (IFRS Figures)

Monetary values are in €m	2013	CHANGE <sup>1</sup>	2012
<b>Consolidated Income Statement</b>			
Net interest income after impairment charge	79.4	(23.9)%	104.4
Net fee and commission income	69.2	(3.7)%	71.9
Net trading income	4.9	(35.3)%	7.6
Profit from investments in entities accounted for using the equity method	153.4	63.9%	93.6
General administrative expenses	(214.1)	12.1%	(190.9)
Profit for the year before tax	125.1	>100%	16.8
Consolidated profit (attributable to equity holders of the parent)	145.4	>100%	22.5
<b>Consolidated Balance Sheet</b>			
Loans and advances to other banks	8,576	(14.6)%	10,042
Loans and advances to customers	11,005	5.2%	10,465
Deposits from other banks	9,029	(28.6)%	12,643
Deposits from customers	8,280	2.4%	8,090
Equity (incl. profit)	2,355	(2.8)%	2,422
Consolidated assets	29,070	(10.0)%	32,310
<b>Regulatory information<sup>3)</sup></b>			
Risk-weighted basis of assessment	11,845	(11.5)%	13,383
Total own funds	2,460	16.3%	2,116
Own funds requirement	1,017	(10.7)%	1,138
Surplus own funds ratio	141.8%	56 PP	85.9%
Tier 1 ratio (credit risk)	12.5%	1.5 PP	11.0%
Total Tier 1 ratio	11.6%	1.3 PP	10.3%
Total own funds ratio	19.3%	4.5 PP	14.9%
<b>Performance</b>			
Return on equity before tax	5.2%	4.5 PP	0.7%
Consolidated return on equity	6.1%	5.1 PP	1.0%
Consolidated cost:income ratio	54.5%	(10.0) PP	64.5%
Return on assets after tax	0.5%	0.4 PP	0.1%
Risk:earnings ratio	45.5%	10.4 PP	35.1%
<b>Additional information</b>			
Employees (average full times equivalents)	1,273	(0.9)%	1,285
Branches and offices	57	(9)	66
<b>Rating Moody's</b>	<b>long term</b>	<b>short term</b>	<b>financial power</b>
	A2	P(1)	D+

1) ppt = percentage points.

2) Regulatory own funds are presented in the Consolidated Financial Statements of Raiffeisenlandesbank NÖ-Wien at the level of the individual institution.

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# CONSOLIDATED MANAGEMENT REPORT

# Overview of the 2013 Financial Year

The year 2013 was characterized by historically low interest rates and a more stable economic situation than in 2012. The European Central Bank (ECB) took further action to stimulate the eurozone economy by cutting its key rate by 25 basis points in May and in November, taking it to 0.25 per cent. The goals were to increase the willingness of both companies and individuals to invest and to stimulate economic growth. However, economic growth in Europe remained subdued in 2013, as did credit demand.

The body of rules and regulations known collectively as Basel III entered into force on 1 January 2014. Every bank in the European Union (EU) must apply this body of rules and regulations, which has been adapted for the EU. Among other things, banks will in future be required to meet significantly higher capital adequacy requirements and more stringent liquidity requirements. During the year under review, RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (hereinafter *Raiffeisenlandesbank NÖ-Wien AG*) made comprehensive preparations to fulfil these requirements. It both improved the bank's capital adequacy and liquidity positions and created the extensive technical prerequisites for Basel III.

The 2013 financial year was a year of changes at *Raiffeisenlandesbank NÖ-Wien AG*. We worked together with an external strategy consultant to develop measures that will boost profitability and we adopted a two-pronged strategy focused on growth and consolidation. We began putting this strategy into effect in the second half of 2013. We revised our company's structural and procedural organization, identified ways of improving our capital ratios, adapted our internal service pricing system to suit present economic conditions and initiated a fill of profit improvement and cost reduction measures in every segment. We are continuing to consistently push ahead with measures to implement the strategy during 2014. The overall objective is to significantly increase the profitability of *Raiffeisenlandesbank NÖ-Wien AG's* customer operations.

Active management of the structure of our balance sheet reduced the balance sheet total by 10.0 per cent to €29,070.2 million. Above all, we cut back our interbank activities and reduced holdings of our own securities. On the other hand, we were able to increase loans and advances to customers by 5.2 per cent to €11,004.6 million.

Thanks to our good rating (Moody's long-term issuer rating of A2) and the international investor community's interest in the issuances of *Raiffeisenlandesbank NÖ-Wien AG*, we achieved another increase in long-term funding. Continuing growth in the loan portfolio and issuances underscored the success of our growth strategy.

*Raiffeisenlandesbank NÖ-Wien AG* made a profit for the year after tax of €145.4 million in 2013 (2012: €22.5 million). However, the continuing improvement of our funding structure (see above) that was needed to meet the liquidity requirements of Basel III increased interest expenses and thus reduced net interest income. The economy's weak performance in 2013 made it necessary to increase the impairment charge on loans and advances to €66.4 million.

Besides credit and deposit products, *Raiffeisenlandesbank NÖ-Wien AG* also offered its customers a broad range of expert services. These included above all payment services and advice on securities, insurance and exports. However, our customers' low propensity to invest had an adverse impact on net fee and commission income, which was 3.7 per cent down on 2012.

Profit from investments in entities accounted for using the equity method came to €153.4 million. The contribution to profit made by the *Raiffeisen Zentralbank Österreich Aktiengesellschaft Group* (RZB Group) grew substantially compared with 2012, increasing by €32.8 million to €146.7 million.

Profit from financial investments in 2012 had been dented to the tune of €59.8 million. This was primarily due to non-recurring factors, namely the sale of *Raiffeisen Bank Zrt.*

(Hungary) and ceasing to use the equity method to account for our investment in *Raiffeisen Bank International AG* (RBI). Favourable movements in securities prices during 2013 and the sale of securities and closing out of the associated hedges in the course of the portfolio's reorientation combined with the absence of the non-recurring factors we have mentioned improved this line item by €44.5 million in the year under review.

Staff costs increased by €8.4 million to €114.3 million in 2013. Part of the increase was attributable to the reorganization of *Raiffeisenlandesbank NÖ-Wien AG*. Other administrative costs were increased by the non-recurring expenses caused by the bank's internal restructuring project and an increase in IT costs in the course of a nationwide project within the Austrian *Raiffeisen* Organization ('one IT system for Raiffeisen Austria').

The line item *Other operating profit/(loss)* improved by €57.4 million in 2013. The line item *Gains less losses from interest rate derivatives* was €21.2 million up on 2012.

Since the requisite allocations to provisions in 2013 were down on 2012, profit also improved.

Despite capital investments and reorganization, the increase in profit from investments in entities accounted for using the equity method and the absence of the non-recurring factors that affected 2012 led to an advance in consolidated net profit in 2013.

This increased the consolidated return on equity after tax from 1.0 per cent to 6.1 per cent. At the same time, the consolidated cost:income ratio improved to 54.5 per cent, having been 64.5 per cent in 2012.

The Tier 1 ratio (Basel II) of *Raiffeisenlandesbank NÖ-Wien AG* (total risk) was 1.3 percentage points up on the previous year to 11.6 per cent. This was well above the legislative minimum of 4.0 per cent. The own funds ratio, at 19.3 per cent, was likewise well above the legislative minimum of 8.0 per cent and the ratio of 14.9 per cent recorded at the end of the previous year.

# The Economic Environment

## The Economy Overseas and in Europe

The global economy's recovery was sluggish during 2013. The International Monetary Fund (IMF) estimates global economic growth at 2.9 per cent. As before, the threshold countries were the biggest contributors to this growth, even though they increasingly lost pace compared with the industrial nations towards year-end. China in particular saw its growth slowdown continue.

There was a slight improvement in the economy of Central and Eastern Europe (the CEE region). Thanks to the continuation of the same loose monetary policy as before, the economic recovery in the United States gained a firmer footing. Nonetheless, the country's gross domestic product (GDP) over 2013 as a whole grew by just 1.9 per cent. One reason was the governing parties' late agreement of a budget. Contrary to the expectations of many market participants, the Federal Reserve (Fed) decided to taper its bond purchasing programme from US\$85 billion to US\$75 billion a month at its December meeting. It did not change its key rate, which is

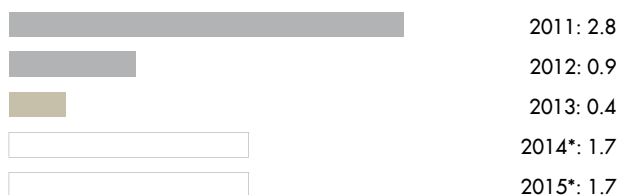
very likely to be kept at its current low level of between 0.0 per cent and 0.25 per cent for a longer period.

Debate about the debt crisis in the eurozone became less intense in 2013. The peripheral countries in particular (Portugal, Italy, Ireland, Greece and Spain) were back on a consolidation path thanks to stability programmes and their stated goal of reducing budget deficits (combined with ambitious cost cutting programmes).

One side effect of these measures was a sharp fall in inflation, which raised fears of deflation towards the end of the year. On the one hand, the ECB's supporting measures made an important contribution to the improvement in the economic situation in the eurozone. On the other, it did not appear to have lost sight of its prime goal – price stability – and made decisions with that goal in mind. The cut in the interest rate to a historical low of 0.25 per cent in November 2013 confirmed this policy. Unemployment in the eurozone peaked at 12.1 per cent in April and recovered little during the rest of the year.

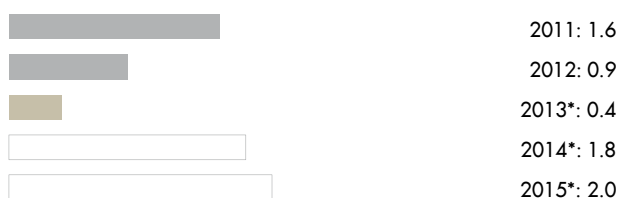
### Real GDP Growth in Austria +/- Change v. Previous Year, %

\*Forecasts for 2014-2015 WIFO Forecast dated 27 March 2014



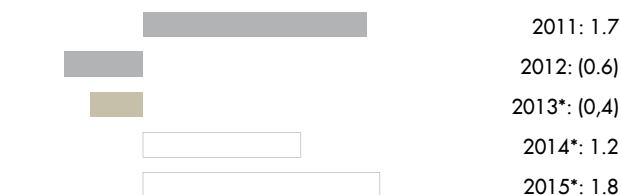
### GDP Growth in Germany +/- Change v. Previous Year, %

\* Forecasts for 2013-2015 EU Commission Winter Forecasts in 2014



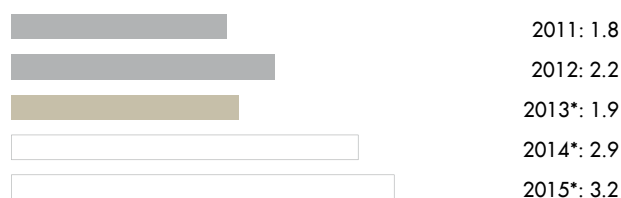
### GDP Growth in the Eurozone +/- Change v. Previous Year, %

\* Forecasts for 2013-2015 EU Commission Winter Forecasts in 2014



### GDP-Growth in the US +/- Change v. Previous Year, %

\*Forecasts for 2013-2015 EU-Commission Winter Forecasts in 2014





## The Austrian Economy

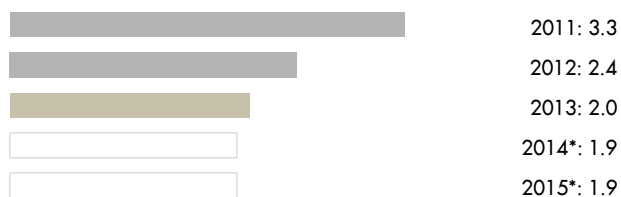
The Austrian economy picked up a little speed in the second half of 2013 and, as in the past, did relatively well compared with the economies of the other members of the eurozone. Although real gross domestic product in the fourth quarter was only 0.3 per cent up on the third quarter, the advance indicators were suggesting that the positive trend would continue and strengthen. Nonetheless, overall economic growth remained subdued, resulting in GDP growth of 0.3 per cent over the year as a whole. Since October 2013, the EU Commission's wide-ranging sentiment survey has been putting Austria above the long-term average again. In addition, since summer, the purchasing managers' index has been

suggesting that output will be increased. However, private household consumption remained lacklustre under the burden of the situation in the job market and consolidation of the state budget. Even though the number of unemployed had risen steadily during the year, the jobless rate was still the eurozone's lowest in December, at 4.9 per cent.

Austria's economic recovery was supported by an increase in export demand. It came mainly from Germany, Italy and the United States, which are Austria's main trading partners. Goods exports increased by an estimated 2.5 per cent. Price pressures weakened significantly over the course of 2013, resulting in an annual inflation rate of 1.9 per cent in December.

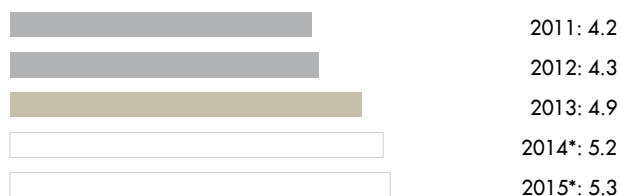
### Inflation in Austria %

\*Forecasts for 2014-2015 WIFO Forecast dated 27 March 2014



### Unemployment in Austria %

\*Forecasts for 2014-2015 WIFO Forecast dated 27 March 2014



### Private Consumption in Austria +/- Change v. Previous Year, %

\*Forecasts for 2014-2015 WIFO Forecast dated 27 March 2014



## • Overview of the Financial Markets

- The ECB cut its key rate by 25 basis points in May and in November 2013. This took its main refinancing operations rate to a new record low of 0.25 per cent at year-end. Other central banks like those of the United States, the United Kingdom, Switzerland and Japan left their key rates at their respective lows.
- In the eurozone, there was a small rise at the short end (rates up to 12 months) despite the cuts in the key rate. We also saw rising rates at the long end (rates over terms of one year or more), especially from May to September. Nonetheless, interest rates were still extremely low by historical standards in 2013.
- Despite persistent volatility, there was a perceptible downturn in risk premiums in the peripheral countries.
- The equity markets performed strongly during 2013.

### *Interest Rates*

The ECB no longer had debt problems in the Member States to struggle with in 2013. Instead, the Council's members turned their focus to inflation. The steady fall in inflation prompted the ECB to cut its key rate by 25 basis points in May 2013 and in November 2013. It confirmed its intention to retain this low rate policy for a longer period. In contrast, the 3-month Euribor initially moved little during the year but then rose slightly in the fourth quarter of 2013. This put it above the ECB's key rate for the first time since the spring of

2012. The repayment of surplus liquidity – the money lent to commercial banks by the ECB and deposited with the ECB on a no-interest basis as a safety buffer – normalized money market rates. However, the 3-month Euribor was very low by historical standards, standing at 0.287 per cent at 31 December 2013.

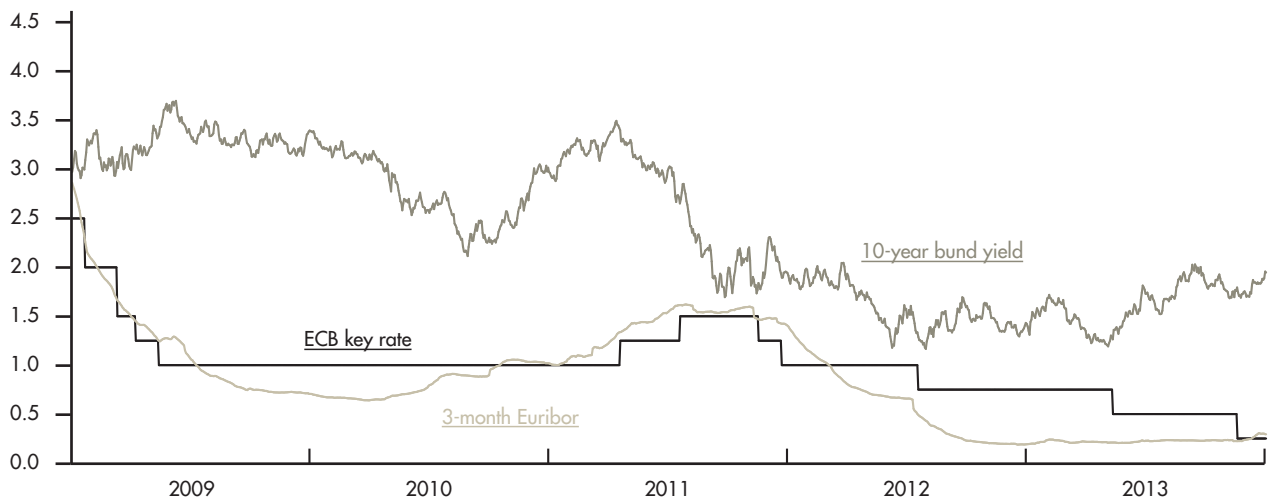
The decisive influence on eurozone rates at the long end during 2013 was the monetary policy of the US central bank. In May 2013, the Fed announced its plans to taper its asset purchasing programme from US\$85 billion of bonds a month to US\$75 billion. Not only did US rates at the long end rise significantly after that. The 10-year yield on German federal government bonds (the eurozone benchmark) also rose, going up from 1.19 per cent (closing yield on 1 May 2013) to 2.02 per cent (closing yield on 10 September 2013). The Fed's actual decision to taper asset purchasing was made in mid-December. The market having already priced this change in, German *bunds* closed at 1.94 per cent on 31 December 2013.

At the same time, stabilization in the eurozone reduced risk premiums on the government bonds of the peripheral countries. Countries like Ireland and Portugal could once again successfully raise money in the capital markets. Funding costs for Spain and Italy too fell substantially in the course of the year.

### Eurozone Interest rates

%

Source: Reuters EcoWin



### Currencies and Equity Markets

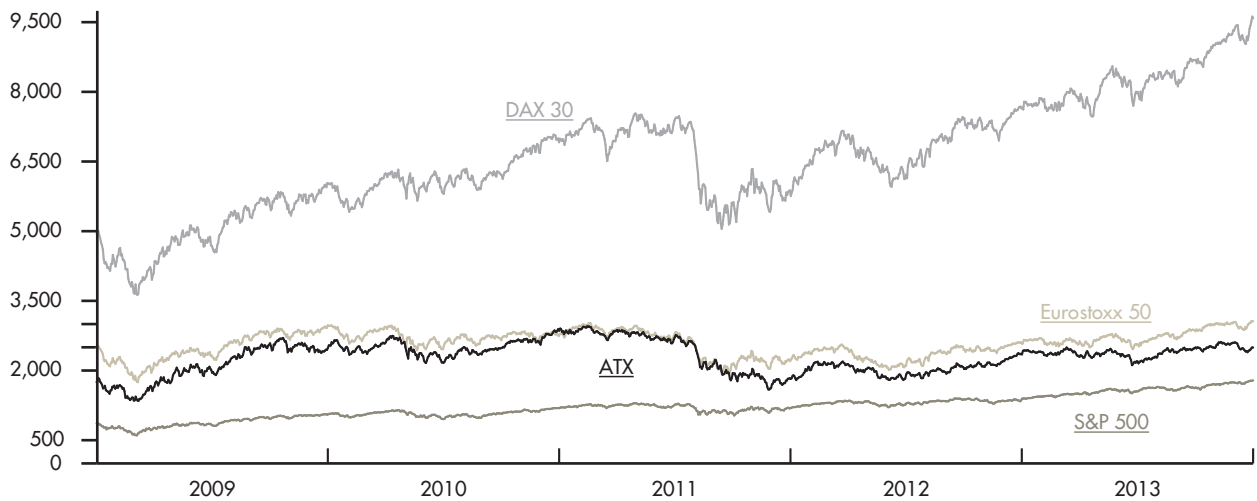
The stabilization of the eurozone economy also led to significant gains by the euro. Measured in terms of its real effective exchange rate index, the single currency appreciated by 2.7 per cent versus the currencies of the 20 main trading partner nations. The euro was trading at US\$1.37 at 31 December 2013, compared with US\$1.32 at the beginning of the year. As a result of the easing of tensions in the financial markets, the Swiss franc (SFr) moved away from the minimum exchange rate of SFr1.20/€ set by the Swiss central bank to fluctuate around SFr1.23/€ during the year. Under pressure from Japan's expansionary monetary and fiscal policy, the Japanese yen (¥) continued to weaken versus the euro and was trading at ¥144.63/€ at the end of 2013.

During 2013, the equity markets profited from the persistently low level of interest rates around the world and the search for more attractive ways of investing that it sparked off. The US American stock exchanges recorded significant gains (e.g. S&P 500 up 29.6 per cent on the year), and the European equity markets also recorded sizeable gains for the second year in succession. The Euro Stoxx 50 was 17.9 per cent up on the year, and the DAX gained 25.5 per cent. However, the ATX (the leading share index on the Vienna Stock Exchange), which is dominated by big financial stocks, gained just 6.1 per cent in 2013.

**Equity Markets**

Index Points

Source: Reuters EcoWin

**Performance of the Austrian Banking Industry**

The Austrian financial institutions' assets went on shrinking during 2013. On the assets side of the account, loans and advances to other banks were 7 per cent down on 2012, and there were double-digit decreases in portfolios of bonds, fixed-interest securities and equities. Similarly, portfolios of loans and advances to customers (non-banks) were also down on year-end 2012 at the close of 2013. On the equity and liabilities side of the account, deposits from other banks and liabilities evidenced by paper shrank even more than in 2012. The only increase was in deposits from customers (non-banks), which grew by 2.5 per cent.

The Austrian banks' profits continued to deteriorate in 2013. Net interest income came to €8.8 billion and was therefore static on the previous year. However, operating income fell by 0.8 per cent. At the same time, operating expenses went on rising, increasing by 5.3 per cent on the previous year to €12.8 billion. Operating profit in 2013 was 11.4 per cent down on 2012 to €6.1 billion.

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

The Consolidated Financial Statements of *Raiffeisenlandesbank NÖ-Wien AG* were prepared in accordance with *EU Directive EC/1606/2002* as issued by the Commission on 11 September 2002 in conjunction with § 245a *UGB* (Austrian enterprises code) and § 59a *BWG* (Austrian banking act) on the basis of the International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the EU. In addition, *Raiffeisenlandesbank NÖ-Wien AG* prepared

separate financial statements in accordance with *BWG* in conjunction with *UGB*. The Consolidated Management Report is in conformity with the Consolidated Financial Statements and presents fairly, in all material respects, the Group's assets, liabilities, financial position and profit or loss. This conforms to the legal requirements (as amended) at 31 December 2013.

## Consolidated Operating Profit in 2013 Compared with 2012

€'000	2013	2012	Absolute +/(-) Change	Percentage +/(-) Change
Net interest income	145,777	160,835	(15,058)	(9.4)
Net fee and commission income	69,170	71,851	(2,681)	(3.7)
Net trading income	4,898	7,574	(2,676)	(35.3)
Profit from investments in entities accounted for using the equity method	153,411	93,599	59,812	63.9
Other operating profit/(loss)	19,784	(37,664)	57,448	-
<b>Operating income</b>	<b>393,039</b>	<b>296,195</b>	<b>96,844</b>	<b>32.7</b>
Staff costs	(114,307)	(105,927)	(8,380)	7.9
Other administrative expenses	(94,551)	(80,261)	(14,290)	17.8
Depreciation/amortization/write-offs	(5,237)	(4,756)	(481)	10.1
<b>General administrative expenses</b>	<b>(214,095)</b>	<b>(190,944)</b>	<b>(23,151)</b>	<b>12.1</b>
<b>Consolidated operating profit</b>	<b>178,944</b>	<b>105,251</b>	<b>73,693</b>	<b>70.0</b>

Net interest income came to €145.8 million in 2013 and was therefore 9.4 per cent down on 2012. The margins achievable on deposits were dented by stiff competition and historically low interest rates, posing major challenges to *Raiffeisenlandesbank NÖ-Wien AG*. The reduction of part of the securities portfolio and the reshaping of our funding structure in preparation for the new legally required liquidity ratios reduced profit. These factors dominated the development of net interest income to an extent that was not offset by the increase in margins on credit.

<u>Net Interest Income</u>	€m
2011: 206.6	206.6
2012: 160.8	160.8
2013: 145.8	145.8

Net fee and commission income fell by 3.7 per cent to €69.2 million in 2013. With the exception of credit commission, which was in particular a reflection of the challenging market environment and the restrained demand for credit, it proved possible to keep net fee and commission income roughly static on the previous year.

Net trading income fell by 35.3 per cent to €4.9 million.

Profit from investments in entities accounted for using the equity method came to €153.4 million. The RZB Group's contribution to our profit was significantly up on 2012, increasing by €32.8 million to €146.7 million.

Other operating profit/(loss) increased by €57.4 million in 2013. Gains less losses from interest rate derivatives was €21.2 million up on 2012. Profit was also boosted by the absence of some of the expenses associated with possible damages payments and provisions for damage events, which did not have to be as high in 2013 as in 2012.

<u>Operating Income</u>	€m
	2011: 355.8
	2012: 296.2
	2013: 393.0

General administrative expenses during 2013 came to €214.1 million. Staff costs rose by €8.4 million to €114.3 million. Part of this increase was due to *Raiffeisenlandesbank NÖ-Wien AG's* reorganization. Non-recurring outlay associated with the bank's internal restructuring projects and an increase in IT costs in the course of an Austria-wide project within the Austrian *Raiffeisen* Organization ('one IT system for Raiffeisen Austria') increased other administrative expenses.

<u>General Administrative Expenses</u>	€m
	2011: 185.5
	2012: 190.9
	2013: 214.1

The Raiffeisenlandesbank NÖ-Wien Group made a consolidated operating profit of €178.9 million in 2013. This compared with €105.3 million in 2012, when profit was affected by non-recurring effects on the expenses side of the account.

€'000	2013	2012	Absolute +/(-) Change	Percentage +/(-) Change
Consolidated operating profit	178,944	105,251	73,693	70.0
Impairment charge on loans and advances	(66,381)	(56,445)	(9,936)	(17.6)
Profit/(loss) from financial investments	12,540	(31,968)	44,508	-
<b>Profit for the year before tax</b>	<b>125,103</b>	<b>16,838</b>	<b>108,265</b>	<b>&gt;100</b>
Income tax	20,294	5,660	14,634	>100
<b>Profit for the year after tax</b>	<b>145,397</b>	<b>22,498</b>	<b>122,899</b>	<b>&gt;100</b>

Although our credit policy remained conservative, the economy's weak development in 2013 led to a sharp increase in the impairment charge on loans and advances, which came to €66.4 million.

Profit/(loss) from financial investments in 2012 had mainly been a reflection of negative non-recurring factors – the sale of *Raiffeisen Bank Zrt.* (Hungary) and the effect of ceasing to account for our shares in RBI using the equity method – in

the amount of €59.8 million. The absence of these non-recurring factors was the primary reason for the improvement in the line item *Profit/(loss) from financial investments*.

Profit for the year before tax in 2013 totalled €125.1 million. After allowing for an increase in negative income tax expense of €14.6 million, profit for the year after tax came to €145.4 million.

### Profit for the Year after Tax €m

	2011: 110.8
	2012: 22.5
	2013: 145.4

**Other comprehensive income** came to negative €135.6 million. This was mainly a reflection of our interest in the other comprehensive income of the entities accounted for using the equity method. It reduced comprehensive income by €156.7 million, resulting in comprehensive income of just €9.8 million.

### Segmental Report

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

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

The Personal and Business Banking Customers (Retail Banking) segment encompasses retail business carried on by the Group's Viennese branches, which service personal banking, trade and business and self-employed customers. Within this segment, the Group provides its customers with banking products and services, including in particular investment and loan advice services; the Group's private banking teams provide professional advice to high net worth personal banking customers in Vienna; and the Group's centres of excellence for trade and business customers give support to small and medi-

um-sized enterprises in Vienna. Profit for the year before tax in this segment came to €16.5 million in 2013, compared with €20.1 million in 2012. The sharp drop in interest rates, especially at the short end, reduced deposit margins, and the competition for deposits between banks put further pressure on margins. The competition for deposits between banks heightened the pressure on margins. The increase in net fee and commission income to €36.1 million, as against €34.3 million in 2012, had a positive impact. It helped this segment achieve a return on equity before tax of 8.5 per cent (2012: 12.6 per cent). The segment's cost:income ratio went from 78.3 per cent in 2012 to 78.1 per cent in 2013.

The **Corporate Customers** segment made another significant contribution to the Raiffeisenlandesbank NÖ-Wien Group's profit in 2013. The keys to this segment's success were made-to-measure products and solutions and close attention to the needs of corporate customers. Our business policy in the corporate customers segment generated growth in the loan portfolio. Net interest income fell to €132.6 million, with low interest rates burdening the deposits side of the account. The impairment charge on loans and advances rose to €55.0 million as the economy's weak growth left its mark. Profit for the year before tax in the corporate customers segment came to €52.0 million, compared with €79.3 million in 2012. With equity employed of €874.0 million, this segment delivered a return on equity before tax of 5.9 per cent (2012: 10.5 per cent).

The **Financial Markets and Organization** segment made a positive overall contribution to profit in 2013. The continuing increase in issuance volumes reduced net interest income. The line item *Profit/(loss) from financial investments* was down on 2012 to €16.0 million. It proved impossible to repeat the increases in the value of securities portfolios that had been achieved in 2012. On the other hand, the profits from derivatives operations recorded in 2012 were surpassed again in 2013. The financial markets and organization segment made an overall profit for the year before tax of €9.3 million.

The **Investments** segment made a very positive contribution of €105.7 million to the Raiffeisenlandesbank NÖ-Wien Group's

profit for the year before tax. Falling interest rates caused a perceptible reduction in our funding costs, which came to €49.0 million. Once again, the biggest contribution to profit in the investments segment came from our investment in the RZB Group, which was accounted for using the equity method. *Profit from investments in entities accounted for using the equity method* was €59.8 million up on 2012 to €153.4 million. The absence of the burden caused by the sale of our stake in *Raiffeisen Bank Zrt* (Hungary) in 2012 also led to a relative improvement in profit.

The **Management Services** segment encompassed all the activities of the Raiffeisenlandesbank NÖ-Wien Group carried out in the context of its role within the Austrian *Raiffeisen* organization – where it serves the *Raiffeisen Banks* in Lower Austria as their central institution – as well as income and expenses arising from activities carried out to support the other business segments' activities in the market. Profit was boosted by the absence of some of the expenses associated with possible damages payments and provisions for damage events,

which did not have to be as large as in 2012. The increase in consultancy costs caused by the development and implementation of our strategy project, the measures required to comply with Basel III and the 'one IT system for Raiffeisen Austria' IT project burdened this segment. The line item *Other operating profit/(loss)* also includes the bank levy payment of €19.1 million, which has been charged to this line item since 2011. In all, this segment's profit/(loss) for the year before tax improved by €25.6 million to negative €58.4 million.

### Consolidated Balance Sheet Performance in 2013

The Raiffeisenlandesbank NÖ-Wien Group's balance sheet was restructured in 2013 to conform to the new regulatory regime (Basel III). In particular, the volume of transactions with other banks was significantly reduced. Furthermore, the securities portfolio was reduced by actively selling matured securities and only replacing some of them. In contrast, loans and advances to customers and issuances were increased.

### Assets

€m	2013	2012	Absolute + / (-) Change	Percentage + / (-) Change
Loans and advances to other banks	8,576	10,042	(1,466)	(14.6)
Loans and advances to customers	11,005	10,465	539	5.2
Securities and equity investments	5,198	6,288	(1,090)	(17.3)
Investments in entities accounted for using the equity method	2,529	2,639	(110)	(4.2)
Other assets	1,763	2,877	(1,114)	(38.7)
<b>Consolidated assets</b>	<b>29,070</b>	<b>32,310</b>	<b>(3,240)</b>	<b>(10.0)</b>

**Loans and advances to other banks** came to €8,575.7 million on our balance sheet date of 31 December 2013. The 14.6 per cent reduction compared with the end of 2012 was mainly attributable to a reduction in loans and advances to entities within the Austrian *Raiffeisen* organization. There was also a reduction in loans and advances to foreign banks.

**Loans and advances to customers** came to €11,004.6 million on our balance sheet date of 31 December 2013. This means that they were 5.2 per cent up on the end of 2012 despite the challenging environment.



As planned, the line item **securities and equity investments** was reduced by €1,089.8 million to €5,197.8 million during 2013 within the scope of partial restructuring of the portfolio.

Basel III – Capital Requirements Regulation (CRR), Capital Requirements Directive IV (CRD IV) – requires changes to risk, capital and liquidity management and the restructuring of assets and liabilities.

In February 2013, *Raiffeisenlandesbank NÖ-Wien AG* decided to sell securities so as to improve its liquidity coverage and capital adequacy ratios as required by Basel III.

During the sales programme, it sold securities with a total nominal value of €894.8 million. They consisted mostly of non-collateralized and subordinated bank bonds as well as a number of government bonds from the CEE region.

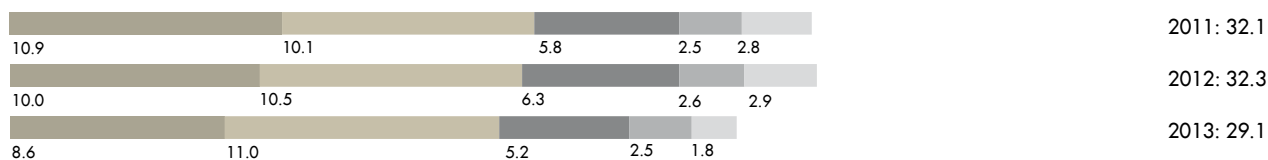
Bonds in the banking book redeemed during 2013 had a total nominal value of €996.5 million. In return, we bought available-for-sale bonds that were eligible for inclusion in a liquidity buffer with a nominal value of €923.0 million to improve our liquidity ratios. They were an adequate replacement for bonds that had been eligible for inclusion in the buffer that matured in 2013, and this also put into effect our internal decision to develop a liquidity buffer totalling €700.0 million.

The line item **investments in entities accounted for using the equity method** came to €2,529.2 million, which was slightly down on the end of 2012.

The fall of €1,113.6 million in the line item **other assets** was primarily due to reductions in holdings of derivatives and credit balances with *Oesterreichische Nationalbank* (OeNB).

### Structure of Assets on the Consolidated Balance Sheet

€bn



■ Loans and advances to other banks

■ Loans and advances to customers

■ Securities and equity investments

■ Investments in entities accounted for the equity method

■ Other assets

## Equity and Liabilities

€m	2013	2012	Absolute + / (-) Change	Percentage + / (-) Change
Deposits from other banks	9,029	12,643	(3,614)	(28.6)
Deposits from customers	8,280	8,090	191	2.4
Liabilities evidenced by paper	6,683	5,929	754	12.7
Equity	2,355	2,422	(67)	(2.8)
Other liabilities	2,723	3,227	(504)	(15.6)
<b>Consolidated equity and liabilities</b>	<b>29,070</b>	<b>32,310</b>	<b>(3,240)</b>	<b>(10.0)</b>

As we reshaped our funding structure, we reduced the line item **deposits from other banks** by €3,614.4 million compared with the end of 2012 to €9,029.0 million. We returned amounts raised from both Austrian and foreign banks.

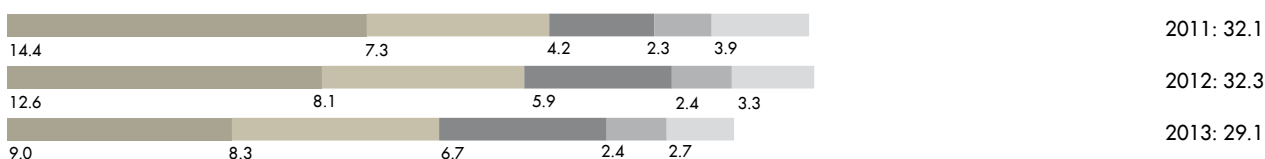
The line item **deposits from customers (incl. savings deposit balances)** was slightly up on the end of 2012 to €8,280.3 million. Historically low interest rates made it increasingly difficult to convince investors to opt for secure savings deposit investments.

The line item **liabilities evidenced by paper** came to €6,683.4 million at 31 December 2013. That was 12.7 per cent up on the end of 2012. In order to continue to improve our funding structure and, in turn, our liquidity ratios, we significantly increased our issuing activities during the 2013 financial year.

The line item **equity** was slightly down on the end of 2012 to €2,354.9 million.

### Structure of Equity and Liabilities on the Consolidated Balance Sheet

€bn



■ Deposits from other banks

■ Deposits from customers

■ Liabilities evidenced by paper

■ Equity

■ Other liabilities

# Financial Performance Indicators

## Performance Ratios

The Group's consolidated cost:income ratio – the ratio of operating expenses to operating income – came to 54.5 per cent in the 2013 financial year. The improvement compared with 2012 was predominantly due to an improvement in earnings from entities accounted for using the equity method and a positive balance of *Other operating profit/(loss)*.

The Group's consolidated return on equity after tax – its return on equity based on average equity – came to 6.1 per cent in 2013, compared with 1.0 per cent in 2012. This ratio was improved by the marked rise in profit for the year after tax.

## Regulatory Own Funds<sup>1</sup>

Own Funds €m	2013	2012
Eligible Tier 1 capital	1,478	1,467
Ancillary own funds (Tier 2)	967	635
<b>Eligible own funds</b>	<b>2,445</b>	<b>2,102</b>
Tier 3 capital	15	14
<b>Eligible own funds pursuant to § 23 (14) BWG</b>	<b>2,460</b>	<b>2,116</b>
Total own funds requirement	1,017	1,138
Surplus own funds	1,443	977
Surplus own funds ratio	141.8	85.9

At 31 December 2013, *Raiffeisenlandesbank NÖ-Wien AGs* eligible own funds for the purposes of § 23 Abs. 14 BWG came to €2,459.6 million. To bring about another improvement in our own funds position, we made a bond issuance totalling €300 million in 2013. The bond is also eligible as Tier 2 capital under the new regulatory regime.

The reduction in the own funds requirement significantly increased the Tier 1 ratio (total risk) compared with the end of 2012 to 11.6 per cent. The own funds ratio (all risks) came to 19.3 per cent at the end of the 2013 financial year, compared with 14.9 per cent at the end of 2012. This means that both ratios were well above the legislative minimum requirements, which were 4.0 per cent and 8.0 per cent, respectively.

## Surplus Own Funds Ratio



## Total Tier 1 Ratio



## Total Own Funds Ratio



<sup>1</sup> Regulatory own funds are presented at the level of the individual institution. The calculation of regulatory own funds in accordance with § 24 BWG in conjunction with § 30 BWG (calculation of the own funds of the credit institution group) is the responsibility of the superordinate institution, *Raiffeisen-Holding NÖ-Wien*. Consequently, the regulatory own funds of the credit institution group are presented in the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien*.

# The Internal Control System for the Financial Reporting Process

The Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* had put in place an effective and appropriate internal control system (ICS) for the financial reporting process. The Supervisory Board monitored the effectiveness of this system.

The ICS for the financial reporting process was designed to ensure reasonable reliability during the preparation and fair presentation of published annual financial statements, consolidated financial statements and financial information in accordance with the legislative provisions and provisions under EU law contained in BWG, UGB and the IFRSs.

## The Control Environment

As a result of the specified controls, the ICS was an integral part of the Group's technical and organizational processes. It tied together risk and compliance and ensured that adequate controls were implemented and correctly carried out based on the defined risks. The concepts underlying the system and its framework were laid down, with mandatory effect, in the *IKS-Handbuch* (ICS Manual) on the basis of Managing Board decisions. The Supervisory Board and Managing Board relied on the support of experts, including, in particular, the experts in Overall Bank Management and Finance – which is a Head Office department – as the unit responsible for the financial reporting process and the ICS in that connection, in coordination with the Overall Bank Risk Department as *Raiffeisenlandesbank NÖ-Wien AG's* ICS unit.

## Risk Assessment

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

During the financial reporting process, the following in particular involve the risk of material reporting errors: estimates used when measuring the fair values of financial instruments when reliable market values are not available; estimates used when making impairment charges for loans and advances and when making provisions; complex recognition and measurement rules; and the difficult business environment that currently prevails.

## Control Actions

Risks were identified using a variety of very different instruments, including, for instance, the risk map, operational risk assessments and scoping. Risks were aggregated by Overall Group Risk in the Overall Bank Risk Department. Control procedures were taken into account and documented during the mapping of a process within the scope of the specifications contained in the internal ICS Guideline. In particular, it was specified which risks should be limited, during which processes the control activities should be carried out, what form the control activities should take and by whom and how often they should be carried out.

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

IT security controls were one of the cornerstones of the internal control system. For instance, the firewalling of sensitive activities was supported by restricting the granting of IT access. Most accounting and financial reporting took place based on the GEBOS core banking system. The main ledger was maintained using GEBOS, which also included the credit and deposit processing (GIRO) sub-ledger function. In addition, there were a number of other sub-ledgers such as GEOS (securities processing, nostro securities), Kondor (Treasury) and SAP (accounts receivable, accounts payable, asset accounting).

## Information and Communication

Overall Bank Management and Finance, which is a Head Office department, prepared the Consolidated Financial Statements in conformity with IFRSs and the provisions of UGB and BWG that were also applicable. In addition, it prepared the Consolidated Management Report. This contains notes on the profit for the year in accordance with the legislative provisions. The Managing Board, which completed the Consolidated Financial Statements, submitted the Consolidated Financial Statements certified by the Auditor to the Supervisory Board's Audit Committee.

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

To enable them to exercise their monitoring and control functions in order to ensure proper financial reporting and proper reporting in general, comprehensive reports were provided to the Managing Board once a month and to the Supervisory Board and Audit Committee at least once a quarter. The flow of information contained calculations (balance

sheet, income statement and comments on material developments) and analyses of all the different types of risk. In addition, the Managing Board received daily treasury reports.

Employees working in Accounting were continually trained in changes in financial reporting in conformity with IFRSs and in accordance with UGB and BWG so as to be able to detect in good time or avoid the risks of unintended reporting errors.

## Monitoring

Responsibility for the proper execution of processes was regulated within the scope of the ICS. Those responsible for a process were also responsible for setting up, carrying out and documenting process risk controls. Internal Audit, a Head Office Department, audited adherence to the ICS. Auditing of the effectiveness of the ICS for the financial reporting process also fell within the scope of the audits of the Consolidated Financial Statements carried out by *Österreichischer Raiffeisenverband (ÖRV)* and *KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*.

# Risk Report

We refer the reader to the detailed Risk Report provided in note (29) *Risks arising from financial instruments* for notes about the Raiffeisenlandesbank NÖ-Wien Group's overall

financial risks and its risk management goals and methodologies.

# Material Events after the Balance Sheet Date

## ***Capital Increase at RBI***

On 21 January 2014, RBI announced its intention of strengthening its capital base by issuing new shares. The first stage of this capital increase was an offering of new shares to selected institutional investors through an accelerated book-building process (pre-placement). Placement took place on 22 January 2014.

The subscription and offer price was €28.50 per new share. As a result, the transaction raised gross proceeds of roughly €2.78 billion. The capital increase significantly enlarged RBI's free float to roughly 39.3 per cent at the cutoff date of 11 February 2014. RZB remained the principal shareholder with roughly 60.7 per cent of the shares. RBI plans to use the proceeds from the capital increase to repay the entirety of its non-voting non-ownership 'participation' capital (*Partizipationskapital*) in the amount of €2.5 billion, including the share of €1.75 billion subscribed by the Republic of Austria.

One important reason for the capital increase was to strengthen RBI's equity base to conform to the new Basel III regime (CRR).

## ***Bank Levy Increased***

Among other things, the publication of the *Stabilitätsabgabegesetz* (Austrian stability levy act) 2014 in the *Bundesgesetzblatt* (federal gazette) of 28 February 2014 standardized a substantial hike in the stability levy from 2014. As a result of the revision, the burden of the stability levy on *Raiffeisenlandesbank NÖ-Wien AG* will increase by about 33.3 per cent and amount to roughly €25.4 million in 2014 and roughly €25.1 million in 2015 (the figure for 2015 being based on current planning figures).

## ***Political and Economic Turbulence in the Ukraine***

Ukraine's political and economic situation worsened considerably in the first few weeks of 2014. This increased Ukraine's budget deficit, dented the Ukrainian national bank's currency reserves and harmed Ukraine's government bond rating. The national bank responded by introducing stricter exchange controls and amending its exchange rate policy. *Raiffeisenlandesbank NÖ-Wien AG* has not been directly affected by developments in the Ukraine. The effects on the financial position and assets and liabilities of RBI and its Ukrainian subsidiary *Raiffeisen Bank Aval* were not yet foreseeable at the copy deadline date. However, depreciation of the hryvna did cause negative exchange differences in RZB's equity account.

The tensions in the region affected Russia too, where uncertainty also led to a fall in prices on the Moscow Stock Exchange and depreciation of the Russian ruble by about 10 per cent against the US dollar. *Raiffeisenlandesbank NÖ-Wien AG* has lent a manageable amount to Russian companies and banks. Given the composition of the portfolio and our customers' credit standings, we do not anticipate any loan defaults as things stand at the moment. All our receivables from Russian banks are the result of short-term letters of credit and loans with remaining durations of less than a year.

However, depreciation of the ruble did cause negative exchange differences in RZB's equity account. At the time of preparation of the Annual Financial Statements, movements in the exchange rates of all the currencies of relevance to RZB had reduced its 'hard' common equity Tier 1 ratio (CET1) by roughly 25 basis points.

## Branches and Offices

At year-end 2013, roughly 560 account managers and sales assistants were servicing *Raiffeisenlandesbank NÖ-Wien AG*'s personal and business banking customers at 57 locations in Vienna. These included 41 retail banking branches, six private banking team offices for high net worth personal banking customers and six special centres of excellence for trade and business customers. The *Raiffeisen-Mitarbeiterberatung* staff advice service was providing special services at another

four locations for entities within the Austrian *Raiffeisen* organization and for their employees. Corporate customers were being serviced by some 90 account managers and sales assistants at our *Raiffeisenhaus Wien* premises at *Friedrich-Wilhelm-Raiffeisen-Platz 1*.

The Group had neither branches nor offices abroad.

## Research and Development

Because of the object of the enterprise, we did not perform any material research or development activities.

# Non-financial Performance Indicators

## Services rendered within the Austrian Raiffeisen Organization (The 'VERBUND')

In the fulfilment of its responsibilities as a banker to the Austrian *Raiffeisen* organization (the *Verbund*), *Raiffeisenlandesbank NÖ-Wien AG* gave support to the 67 independent *Raiffeisen Banks* in Lower Austria by providing them with a broad range of advisory and other services. For a number of years, the new regulations and the associated effects on banking operations have been central topics. An extensive advisory project addressing these topics begun under the overall control of *Raiffeisenlandesbank NÖ-Wien AG* back in 2012. During this project, a team of experts from *Raiffeisenlandesbank NÖ-Wien AG* helped the *Raiffeisen Banks* in Lower Austria take stock and develop possible solutions to optimize their preparations for Basel III.

In addition, in the year under review, we made preparations to provide training that is even more professional to functionaries and future management personnel in collaboration with *Raiffeisen's* nationwide training institution *Raiffeisen Campus*. The new training modules will be on offer from 2014.

The extensive training programme provided by MODAL – *Raiffeisen-Bankengruppe NÖ-Wien's* training institution – is also available to employees, management personnel, functionaries and organizations outside the Austrian *Raiffeisen* organization.

## 'Eine IT für Raiffeisen Österreich'

The big *Eine IT für Raiffeisen Österreich* ('one IT system for Raiffeisen Austria') project underwent restructuring and enlargement during 2013. Its original goals were confirmed and clear strategic decisions were made in order to exploit synergies more effectively. The focus was on completely renewing the project's organization and management, merging the 'software houses and harmonizing other systems.

## The Raiffeisen Climate Protection Initiative (RKI)

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

The initiative focuses on the following topics:

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

## Protecting the Environment and Making Frugal Use of Resources

In its own sphere of action, *Raiffeisenlandesbank NÖ-Wien AG* has for years been putting into effect a raft of initiatives to reduce damage to the environment and optimize the use of resources. In 2013, there was lively interest in the so-called Sustainability Weeks held in the *Raiffeisenhaus* building that highlighted the advantages of foodstuffs from the region.

We initiated a number of projects and supported measures and events organized to make the public more aware of ecological issues. *Raiffeisen's* annual *EnergieSparTag* Energy Saving Day in Lower Austria is particularly important. Besides a large number of information events, this initiative includes offering customers free meetings with energy experts at *Raiffeisen* branches and offices. Furthermore, during 2013, we developed a multi-stage 'free from care' package in cooperation with Lower Austrian energy supplier EVN to facilitate the thermal renovation of buildings so as to boost energy efficiency. While EVN provides expert advice, *Raiffeisenlandesbank NÖ-Wien AG* helps customers with all their financial queries.



## A Multifaceted Social Commitment

*Raiffeisenlandesbank NÖ-Wien AG* lives up to its social responsibilities in a multitude of ways. The focus is on aiding and promoting the socially disadvantaged. For example, we have been supporting the *Licht ins Dunkel* appeal, *Concordia* social projects and the ‘Cardinal König’ sponsorship scheme for the *Gruft* refuge for many years. Our sponsorship of *Aktion Lernhaus* plays a particularly important role. This project provides free educational support to children from poorer backgrounds in a number of facilities in Vienna and Lower Austria.

We organized crucial emergency aid for people in Lower Austria to help alleviate the effects of flood damage in 2013. Besides the well-established *Katastrophenhilfsprogramm* (disaster aid programme) set up in cooperation with the Lower Austrian Military Command, *Raiffeisenlandesbank NÖ-Wien* also launched an instant aid credit scheme. In addition, *Raiffeisenlandesbank NÖ-Wien AG* paid an initial €25 thousand to a donations account. Our employees were given up to three days off work to help them do voluntary work.

*Raiffeisenlandesbank NÖ-Wien AG* has also been a sponsor of *Verein Wirtschaft für Integration* (the business for integration society) since 2009.

## Sport and Culture

*Raiffeisenlandesbank NÖ-Wien AG*'s social commitment likewise finds its expression in the support of cultural and sporting institutions. Often, this support has been provided for many years. In the sporting field, the beneficiaries include running events like the *Business Run* and the *Raiffeisen Schlössermarathon* race as well as a number of sports clubs. In the cultural field, we sponsor *Theater in der Josefstadt*, *Wiener Lustspielhaus* and *Wiener Volksoper* as well as events like *Klassik unter Sternen* in Göttweig Abbey and the Grafenegg Festival.

## The Workforce

1,327 people were working for *Raiffeisenlandesbank NÖ-Wien AG* at the end of 2013. That was 50 fewer than at the end of 2012. Our overall employee fluctuation rate in the year under review was 10.6 per cent. Seventy-nine new employees and 11 apprentices were hired in 2013.

The changes in the personnel field went hand in hand with structural and process optimization within the scope of our strategic change project, which began in 2013.

Although the workforce shrank, expenditure on basic and advanced training was almost as high as in 2012, at €1.7 million. The development and promotion of employees begins with on-the-job training and visits to seminars. The basic and advanced training courses are organized by the organization's training institutes – *MODAL* and *Raiffeisen Campus* – and by external providers.

# Outlook for 2014

## The Economic Environment

The global economy's recovery is still dominated by the threshold countries, but the industrial nations are also developing increasingly strongly. Economic growth in the CEE region is likely to be patchy. While momentum in the Baltic countries should pick up, Poland and Bulgaria, for example, are expected to have lower rates of growth than before the economic crisis. The critical situation in the Ukraine is creating uncertainty across Europe.

Economic growth in the United States is expected to strengthen. The crucial factors will be resolution of the governmental conflict, slackening fiscal consolidation and a monetary policy designed to bolster the economy, albeit to a reduced degree. As a result, real gross domestic product could grow by between 2.6 per cent and 2.9 per cent in 2014, which will be to the advantage of the country's trading partners.

The economic recovery in the eurozone will stay volatile in 2014. The monetary union will fall behind the other big industrial nations – including, in particular, the United States – and is unlikely to grow strongly enough to alleviate the nascent fears of deflation. Germany will retain its leadership role within the monetary union and account for the bulk of economic growth. A number of EU Member States (e.g. France and Spain) did not implement consolidation measures as planned in 2013 and have therefore been given more time to reach their deficit goals. The eurozone's biggest challenge in 2014 will be to achieve a sustainable recovery. This should subsequently generate sufficient total demand, leading to greater price stability and improvements in the job market. The ECB may come under pressure if it has to provide support. According to statements by ECB President Mario Draghi, the key rate will stay at its present or a lower level for an extended period in 2014 in order to keep money market rates low. A sideways trend is to be expected at the long end. If necessary, additional measures to provide liquidity could be taken at any time.

The ECB will be taking on a new task from November 2014 as the institution at the head of the banking union. Its first challenge will be the Asset Quality Review (AQR). This will

involve carrying out extensive assessments of the big banks in a multistage process. This process will show which banks are well positioned and which may need more capital. Although many banks have already improved their capital adequacy during the crisis years, the AQR may expose the need for further improvements.

The *Wirtschaftsforschungsinstitut* (WIFO: Austrian Institute of Economic Research) is predicting GDP growth of 1.7 per cent in Austria over 2014 as a whole. This would constitute a significant economic recovery. Nonetheless, the Austrian economy will be unable to make full use of its capacity for expansion in 2014. Thanks to an improvement in the level of orders, especially from abroad, Austrian companies are more confident about the coming months and are therefore likely to step up their investment activities. However, recent sentiment surveys (*WIFO Konjunkturtest* economic survey) confirm that companies cannot rule out setbacks in the next few months despite the generally more optimistic mood and will remain cautious.

Since the labour supply is likely to grow faster than the number of jobs, WIFO is predicting another small rise in the jobless rate during 2014. As in the past, there will be a time lag before the economic recovery impacts positively on the job market. However, the unemployment forecast of 5.2 per cent in 2014 means that Austria is still likely to have one of the lowest rates in the eurozone. Since real wages are stagnant and companies have little leeway for price hikes, there will not be much inflationary pressure this year. WIFO is predicting average inflation of 1.9 per cent in 2014.

## The Group's Performance Outlook

Meeting the many new regulatory requirements will continue to be a burden on *Raiffeisenlandesbank NÖ-Wien AG* in 2014. On the one hand, we will have to comply with the provisions of CRD IV and CRR that entered into force on 1 January 2014 – although, thanks to the actions we have already taken (e.g. installing an institutional protection scheme, optimizing our basis of assessment, issuing Tier 2

capital), material changes to our capital ratios are not to be expected. On the other, *Raiffeisenlandesbank NÖ-Wien AG* is one of the banks whose supervision is to be transferred to the ECB in the autumn of 2014. Before that, it will undergo intensive assessment in a multistage process (AQR). *Raiffeisenlandesbank NÖ-Wien AG* is making careful preparations for that process.

In *Raiffeisenlandesbank NÖ-Wien AG*'s view, the economic environment will remain difficult this year and there will be big challenges to be faced in the market. Consequently, our balance sheet total will not change significantly during 2014. Given the current development of interest rates and the present economic environment, *Raiffeisenlandesbank NÖ-Wien AG* anticipates sustained pressure on its net interest income. Taxes and levies will also have an adverse impact. In particular, the substantial hike in the bank levy from 2014 will add to costs.

*Raiffeisenlandesbank NÖ-Wien AG*'s strategic focuses in 2014 are:

- achieving a renewed increase in operating profit by consistently implementing strategic projects and measures on the cost and profit sides of the account
- further optimizing its regulatory indicators (e.g. own funds, risk bearing capacity)
- continuing on its '*Wien erobern*' (conquering Vienna) expansion path
- expanding corporate customer operations with an emphasis on cross-selling
- deepening cooperation with the *Raiffeisen Banks* in Lower Austria within the scope of the Austrian *Raiffeisen* organization


As the biggest equity holder of RZB and, therefore, also of RBI, *Raiffeisenlandesbank NÖ-Wien AG* has responsibility for the success of the entire banking group. We will therefore continue to play a key role in strategy work like the *Eine IT für Raiffeisen Österreich* ('one IT system for Raiffeisen Austria') project, which is entering the final testing phase. Good teamwork between all the participants will ensure its success.

*Raiffeisenlandesbank NÖ-Wien AG* is an important part of the *Raiffeisen Banking Group* and – as the central institution of the *Raiffeisen Banks* in Lower Austria – will act as a dependable partner during upcoming IT projects and when ensuring compliance with the regulatory requirements. We will continue to deepen cooperation with the *Raiffeisen Banks* in Lower Austria within the scope of the Austrian *Raiffeisen* organization

Vienna

31 March 2014

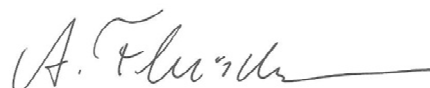
The Managing Board




Klaus BUCHLEITNER  
CEO




Georg KRAFT-KINZ  
Deputy CEO



Andreas FLEISCHMANN  
Member of the Managing Board



Reinhard KARL  
Member of the Managing Board



Michael RAB  
Member of the Managing Board

**IFRS-COMPLIANT CONSOLIDATED**  
**FINANCIAL STATEMENTS**

# A. Consolidated Statement of Comprehensive Income

## *Consolidated Income Statement*

€'000	Note	2013	2012
Interest income	(1)	569,497	692,785
Interest expenses	(1)	(423,720)	(531,950)
<b><i>Net interest income</i></b>	<b>(1)</b>	<b>145,777</b>	<b>160,835</b>
Impairment charge on loans and advances	(2)	(66,381)	(56,445)
<b><i>Net interest income after impairment charge</i></b>		<b>79,396</b>	<b>104,390</b>
Fee and commission income	(3)	96,345	99,817
Fee and commission expenses	(3)	(27,175)	(27,966)
<b><i>Net fee and commission income</i></b>	<b>(3)</b>	<b>69,170</b>	<b>71,851</b>
Net trading income	(4)	4,898	7,574
Profit from investments in entities accounted for using the equity method	(5)	153,411	93,599
Profit/(loss) from financial investments	(6)	12,540	(31,968)
General administrative expenses	(7)	(214,095)	(190,944)
Other operating profit/(loss)	(8)	19,784	(37,664)
<b><i>Profit for the year before tax</i></b>		<b>125,103</b>	<b>16,838</b>
Income tax	(10)	20,294	5,660
<b><i>Profit for the year after tax</i></b>		<b>145,397</b>	<b>22,498</b>
Of which attributable to equity holders of the parent		145,399	22,505
Of which minority interests in profit		(2)	(7)

*Reconciliation to Consolidated Comprehensive Income*

€'000			2013			2012	
	Attributable to Equity Holders of the Parent	Minority interests	Total	Attributable to Equity Holders of the Parent	Minority interests	Total	
<i>Consolidated net profit for the year</i>	145,399	(2)	145,397	22,505	(7)	22,498	
<i>Items that will not be reclassified to profit or loss in later periods</i>	9,009	0	9,009	(20,466)	0	(20,466)	
Actuarial gains and losses on the revaluation of provisions for staff benefits	4,731	0	4,731	(18,342)	0	(18,342)	
Deferred taxes on items not reclassified to profit or loss	1,991	0	1,991	3,053	0	3,053	
Enterprise's interest in other comprehensive income arising from items of entities accounted for using the equity method that are never to be reclassified	2,287	0	2,287	(5,178)	0	(5,178)	
<i>Items that may be classified to profit or loss in later periods</i>	(144,592)	0	(144,592)	215,138	0	215,138	
Cash flow hedge reserve	14,835	0	14,835	5,825	0	5,825	
Of which unrealized gains and losses in the period	15,099	0	15,099	7,079	0	7,079	
Of which gains and losses reclassified to the Income Statement	(264)	0	(264)	(1,254)	0	(1,254)	
Available for sale reserve	1,818	0	1,818	136,979	0	136,979	
Of which unrealized gains and losses in the period	18,370	0	18,370	105,315	0	105,315	
Of which gains and losses reclassified to the Income Statement	(16,552)	0	(16,552)	31,664	0	31,664	
Deferred tax	(4,540)	0	(4,540)	(13,174)	0	(13,174)	
Of which unrealized gains and losses in the period	(30,467)	0	(30,467)	(9,764)	0	(9,764)	
Of which gains and losses reclassified to the Income Statement	25,928	0	25,928	(3,410)	0	(3,410)	
Enterprise's interest in other comprehensive income of entities accounted for using the equity method (after tax)	(156,705)	0	(156,705)	85,507	0	85,507	
<i>Other comprehensive income</i>	(135,583)	0	(135,583)	194,672	0	194,672	
<b>Comprehensive income</b>	<b>9,815</b>	<b>(2)</b>	<b>9,814</b>	<b>217,177</b>	<b>(7)</b>	<b>217,170</b>	

## B. Consolidated Balance Sheet

Assets, €'000	Note(s)	2013	2012
Cash and balances with the central bank	(12)	404,646	679,031
Loans and advances to other banks	(13, 32, 33)	8,575,731	10,042,074
Loans and advances to customers	(14, 32, 33)	11,004,581	10,465,262
Impairment charge on loans and advances	(15, 33)	(298,327)	(318,678)
Trading assets	(16, 32, 33)	300,509	521,400
Securities and equity investments	(17, 32, 33)	5,197,798	6,287,562
Investments in entities accounted for using the equity method		2,529,181	2,638,914
Intangible assets	(18)	7,438	8,780
Property and equipment	(19)	8,060	8,243
Other assets	(20, 33)	1,340,577	1,977,729
Of which current tax assets		209	343
Of which deferred tax assets		23,922	10,098
<b>Total assets</b>		<b>29,070,193</b>	<b>32,310,317</b>

Equity and liabilities, €'000	Note(s)	2013	2012
Deposits from other banks	(21, 32, 33)	9,029,012	12,643,370
Deposits from customers	(22, 32, 33)	8,280,334	8,089,621
Liabilities evidenced by paper	(23, 32, 33)	6,683,353	5,928,916
Trading liabilities	(24, 32, 33)	194,313	301,068
Other liabilities	(25, 33)	1,332,180	2,060,363
Provisions	(26, 33)	166,857	157,658
Subordinated debt capital	(27, 32, 33)	1,029,219	707,606
<b>Total borrowed capital</b>		<b>26,715,267</b>	<b>29,888,602</b>
Attributable to equity holders of the parent		2,354,871	2,421,659
Minority interests		55	56
<b>Equity</b>	(28)	<b>2,354,925</b>	<b>2,421,715</b>
<b>Total equity and liabilities</b>		<b>29,070,193</b>	<b>32,310,317</b>



# C. Consolidated Statement of Changes in Equity

€'000	Attributable to Equity Holders of the Parent							
	Subscribed capital	Non-voting Non-ownership Capital (Partizipatjionskapital)	Capital Reserves	Retained Earnings	Consolidated Net Profit for the Year	Total	Minority interests	Total
Equity at 1 January 2013	214,520	76,500	432,688	1,697,951	0	2,421,659	56	2,421,715
Comprehensive income	0	0	0	(135,583)	145,399	9,815	(2)	9,814
Consolidated net profit for the year	0	0	0	0	145,399	145,399	(2)	145,397
Other comprehensive income	0	0	0	(135,583)	0	(135,583)	0	(135,583)
Contractual profit transfer	0	0	0	0	(60,008)	(60,008)	0	(60,008)
Transferred to retained earnings	0	0	0	85,391	(85,391)	0	0	0
Enterprise's interest in other changes in the equity of entities accounted for using the equity method	0	0	0	(16,596)	0	(16,596)	0	(16,596)
Equity at 31 December 2013	214,520	76,500	432,688	1,631,163	0	2,354,871	55	2,354,925

€'000	Attributable to Equity Holders of the Parent							
	Subscribe d capital	Non-voting Non- ownership Capital (Partizipatio nskapital)	Capital Reserves	Retained Earnings	Consolidated Net Profit for the Year	Total	Minority interests	Total
<b>Equity at 1 January 2012</b>	214,520	76,500	432,688	1,532,569	0	2,256,277	92	2,256,369
Comprehensive income	0	0	0	194,672	22,505	217,177	(7)	217,170
Consolidated net profit for the year	0	0	0	0	22,505	22,505	(7)	22,498
Other comprehensive income	0	0	0	194,672	0	194,672	0	194,672
Contractual profit transfer	0	0	0	0	(57,469)	(57,469)	0	(57,469)
Use of retained earnings	0	0	0	(34,964)	34,964	0	0	0
Distributions	0	0	0	0	0	0	(29)	(29)
Enterprise's interest in other changes in the equity of entities accounted for using the equity method	0	0	0	5,674	0	5,674	0	5,674
<b>Equity at 31 December 2012</b>	<b>214,520</b>	<b>76,500</b>	<b>432,688</b>	<b>1,697,951</b>	<b>0</b>	<b>2,421,659</b>	<b>56</b>	<b>2,421,715</b>

The share capital of RAIFFEISENLANDESBANK NIEDERÖSTERREICH WIEN AG (*Raiffeisenlandesbank NÖ-Wien AG*) was €214,520,100.00 (year-end 2012: €214,520,100.00). Its subscribed share capital comprised 2,145,201 (year-end 2012: 2,145,201) registered no-par shares (*Stückaktie*) with a nominal value of €214,520,100.00 (year-end 2012: €214,520,100.00). In 2008, *Raiffeisenlandesbank NÖ-Wien AG* issued 765,000 registered non-voting non-ownership 'participation' certifi-

cates (*Partizipationsschein*) within the meaning of § 23 Abs. 3 Z. 8. in conjunction with Abs. 4 and Abs. 5 BWG. One such certificate has a nominal value of €100.00.

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

€'000	Cash flow hedge reserve	Available for sale reserve	Deferred taxes recognized in equity
<i>At 1 January 2013</i>	(22,982)	23,690	4,719
<i>Net changes in the financial year</i>	14,835	1,818	(2,549)
Of which unrealized gains and losses in the period	15,099	18,370	0
Of which gains and losses reclassified to the Income Statement	(264)	(16,552)	0
<b>At 31 December 2013</b>	<b>(8,148)</b>	<b>25,507</b>	<b>2,170</b>

€'000	Cash flow hedge reserve	Available for sale reserve	Deferred taxes recognized in equity
<i>At 1 January 2012</i>	(28,807)	(113,289)	14,839
<i>Net changes in the financial year</i>	5,825	136,979	(10,120)
Of which unrealized gains and losses in the period	7,079	105,315	0
Of which gains and losses reclassified to the Income Statement	(1,254)	31,664	0
<b>At 31 December 2012</b>	<b>(22,982)</b>	<b>23,690</b>	<b>4,719</b>

Amounts derecognized out of the cash flow hedge reserve through profit or loss were recognized in *Net interest income*. Amounts derecognized out of the available for sale reserve through profit or loss were recognized in *Profit/(loss) from financial investments*.

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

€'000	2013	2012
Deferred taxes arising from the cash flow hedge reserve	(1,695)	816
Deferred taxes arising from the available for sale reserve	(2,844)	(13,989)
Deferred taxes arising from actuarial gains and losses on the revaluation of provisions for staff benefits	1,991	3,053
<b>Total</b>	<b>(2,549)</b>	<b>(10,120)</b>

# D. Consolidated Cash Flow Statement

€'000	Note(s)	2013	2012
<i>Profit for the year after tax</i>		145,397	22,498
Non-cash items in profit for the year and reconciliation to net cash from operating activities:			
Write-downs/(write-ups) of property and equipment, financial investments and equity investments	(7)	21,326	(32,346)
Revaluation (gains)/losses on investments in entities accounted for using the equity method	(5)	(153,411)	(93,599)
Net creation of provisions and impairment allowances	(2, 8)	47,771	30,331
(Gains)/losses on disposals of property and equipment, financial investments and equity investments	(6, 8)	(7,663)	69,831
Other adjustments (net)		25,204	170,630
<b><i>Subtotal</i></b>		<b>78,624</b>	<b>167,345</b>
Change in assets and liabilities arising from operating activities after corrections for non-cash items:			
Loans and advances to customers and other banks	(13, 14)	918,847	501,165
Trading assets	(16)	222,457	44,738
Securities (except financial investments)	(17)	984,129	247,739
Other assets	(20)	602,430	375,745
Deposits from customers and other banks	(21, 22)	(3,433,770)	(990,842)
Liabilities evidenced by paper	(23)	755,435	1,732,139
Trading liabilities	(24)	(106,755)	(156,569)
Other liabilities	(25)	(771,441)	(512,847)
<b><i>Subtotal</i></b>		<b>(750,044)</b>	<b>1,408,613</b>
Interest and dividends received		602,233	862,893
Interest paid		(502,263)	(708,337)
Income taxes paid		(1,166)	(54)
<b><i>Net cash from/(used in) operating activities</i></b>		<b>(651,240)</b>	<b>1,563,115</b>
Cash receipts from sales of:			
Financial investments and equity investments	(6)	1,165,723	746,914
Property and equipment and intangible assets	(8)	386	100
Cash paid for:			
Financial investments and equity investments	(17)	(1,049,747)	(1,624,134)
Property and equipment and intangible assets	(18, 19)	(4,098)	(5,506)
<b><i>Net cash from/(used in) investing activities</i></b>		<b>112,264</b>	<b>(882,626)</b>
Net inflows of subordinated debt capital	(27)	322,096	3,181
Profit transfer, incl. service of non-voting non ownership 'partizipation' capital (Partizipationskapital)		(57,469)	(61,053)
<b><i>Net cash from/(used in) financing activities</i></b>		<b>264,627</b>	<b>(57,872)</b>

€'000	2013	2012
Cash and cash equivalents at end of previous period	679,031	56,412
Net cash from/(used in) operating activities	(651,240)	1,563,115
Net cash from/(used in) investing activities	112,264	(882,626)
Net cash from/(used in) financing activities	264,627	(57,872)
Effect of exchange rate changes	(36)	2
<b>Cash and cash equivalents at end of period</b>	<b>404,646</b>	<b>679,031</b>

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

# E. Notes

## *The Enterprise*

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

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

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

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

## The Fundamentals of Preparing IFRS-compliant Consolidated Financial Statements

### *Principles*

The Consolidated Financial Statements for the 2013 financial year with the prior-year figures for 2012 were prepared in accordance with *EU Directive (EC) 1606/2002* as issued by the Commission on 11 September 2002 in conjunction with *§ 245a Unternehmensgesetzbuch (UGB: Austrian enterprises code)* and *§ 59a Bankwesengesetz (BWG: Austrian banking act)*, as amended as at the balance sheet date. All the International Financial Reporting Standards (IFRSs) and IFRIC interpretations whose application to the Consolidated Financial Statements was required were taken account of as adopted by the EU. However, reference was already made to the legal situation prevailing after the reporting date if this was necessary for clear presentation.

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

The consolidated entities and the entities accounted for using the equity method prepared their annual financial statements as of and for the period ended 31 December.

Unless specifically stated otherwise with respect to the item in question, figures are stated in thousands of euros. There may be rounding errors in the tables and charts. Amounts of changes in tables are based on the unrounded initial figures.

### *Consolidation Policies*

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

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

Pursuant to IFRS 3.55, goodwill was not amortized. Instead, it underwent annual impairment testing. Following reassessment, negative goodwill was immediately recognized in profit or loss in accordance with IFRS 3.56.

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

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

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

Intragroup gains and losses were eliminated if their effect on line items in the Income Statement was not immaterial. Banking transactions between the individual companies within the Group were conducted on arm's length terms.

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

### *Scope of Consolidation*

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

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

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

Number of Entities	2013	2012 Consolidated	2013	2012 Equity Method
<i>At 1 January</i>	6	11	2	4
Changes in the financial year	(1)	(5)		(2)
<b>At 31 December</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>2</b>

The number of consolidated subsidiaries was reduced by one (*RLB Ostbankenholding GmbH*) during 2013. This company was merged in the course of intra-group restructuring carried out to simplify shareholder structures.

Thirty-three subsidiaries (2012: 22 subsidiaries) were not consolidated because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were accounted for in the balance sheet line item *Securities and equity investments* at cost less any impairments as *Investments in subsidiaries*. The assets of the unconsolidated subsidiaries came to less than 1 per cent of the Group's aggregated assets.

Entities over whose operating and/or financial policies the Raiffeisenlandesbank NÖ-Wien Group had a significant influence were accounted for using the equity method. At 31 December 2013, they were RZB and *Raiffeisen Informatik GmbH*.

Besides a direct interest of 0.53 per cent (year-end 2012: 0.53 per cent), *Raiffeisenlandesbank NÖ-Wien AG* held an indirect interest of 34.21 per cent in RZB via *Raiffeisenlandesbank NÖ-Wien Holding GmbH* (year-end 2012: 34.21 per cent). The Raiffeisenlandesbank NÖ-Wien Group held an interest of 47.65 per cent in *Raiffeisen Informatik GmbH* (year-end 2012: 47.75 per cent).

Investments in ten associates (2012: 11 associates) were not accounted for using the equity method because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were recognized in the balance sheet line item *Securities and equity investments* at cost less

any impairments. Viewed together and based on current data, the immaterial associates would have changed the Group's consolidated equity and consolidated assets by less than 1 per cent had they been accounted for using the equity method.

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

## Recognition and Measurement Policies

### *Financial Instruments*

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

The following measurement categories result:

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



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

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

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

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

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

Financial assets and liabilities designated upon initial recognition as assets and liabilities at fair value through profit or loss must subsequently be measured at fair value, with value changes being recognized in profit or loss. The decisive crite-

riterion for assignment to this measurement category was that, at the time of acquisition or upon designation at the time of the first-time adoption of this standard, as amended, irrevocable assignment to this category had taken place. Financial investments in equity instruments that did not have quoted market prices and whose fair values could not be determined reliably and derivatives whose values were dependent upon such equity instruments and which required settlement by delivery of such equity instruments were not measured at fair value through profit or loss. Such financial instruments were classified as available for sale and were measured at cost less any impairment.

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

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

*Available-for-sale:* Available-for-sale financial assets are non-derivative financial assets that are classified as available for sale and not as loans or receivables, held-to-maturity investments or financial assets designated as at fair value through profit or loss.

Such assets were measured at fair value. Value changes were recognized in a separate item in equity in *Other comprehensive income* until the asset was sold or an impairment oc-

curred. If an increase in fair value was objectively determinable, an impairment of a debt instrument was reversed and the reversal was recognized in the Income Statement; an impairment of an equity instrument was reversed and recognized in *Other comprehensive income*.

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

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

Securities issued by the enterprise and reacquired were deducted on the equity and liabilities side of the Balance Sheet.

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

Embedded derivatives outside the trading portfolio were separated from the host contract and accounted for as separate derivative financial instruments if the financial instrument was not measured in its entirety at fair value, if changes in fair value were not recognized in profit or loss, if the economic characteristics and risks of the embedded derivative were not closely related to the economic characteristics and risks of the host contract and if the embedded derivative really met the definition of a derivative financial instrument. The host contract was then recognized according to its classification. The change in the value of the separated derivative

measured at fair value was recognized in profit or loss. If an embedded derivative could not be valued either upon acquisition or on subsequent reporting dates, the entire structured product was designated as at fair value through profit or loss.

According to IAS 32, an entity's own equity instruments shall be deducted from equity and not capitalized.

A financial asset or financial liability was recognized on the Balance Sheet if a Group entity became a party to the contractual arrangements for the financial instrument and, consequently, had a right to receive or a legal obligation to pay cash. Initial recognition on the Balance Sheet, measurement in the Income Statement and accounting for the disposal of a financial instrument took place using *trade date accounting*. FX and money market transactions in the Treasury Department were recognized and derecognized on their value or settlement date.

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

### *Derivatives*

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

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

*Fair value hedge:* In the case of a fair value hedge, an existing asset or an existing liability is hedged against possible future changes in fair value attributable to a particular risk that would affect profit or loss. Using hedge accounting, the hedging instrument is measured at fair value, with value changes being recognized in profit or loss. The carrying amount of the hedged item is adjusted through profit or loss by the amount of the revaluation gains or losses attributable

to the hedged risk. These hedges are formally documented, continually assessed and expected to be highly effective. In other words, throughout the term of a hedge, one can assume that changes in the fair value of a hedged item will be nearly completely offset by changes in the fair value of the hedging instrument and that the actual risk offset will lie within a range of deviation of 80 – 125 per cent.

*Cash flow hedge:* Cash flow hedges are hedges of the exposure to variability in cash flows associated with a recognized asset or liability or an intended transaction that would affect profit or loss. Within the scope of cash flow hedge accounting, derivatives are used to hedge against future changes in interest payments. The extent to which derivatives should be used to hedge against the exposure to interest rate risk was decided within the scope of the asset liability management

process, with future variable interest payments on variable-yield receivables and debt mainly being swapped for fixed-rate payments using interest rate swaps. Hedging instruments were measured at fair value. Value changes must be separated into an effective portion and an ineffective portion. Hedging relationships are judged to be effective if changes in the cash flow arising from the hedged items are nearly completely offset by changes in the cash flow arising from the hedges at the beginning of the transaction and throughout its term. During the first two years, cash flows were subdivided into monthly time bands; from the third to the fifth year, they were subdivided into quarterly time bands; and from the fifth year, they were subdivided into annual time bands, in each case based on the balance sheet date.

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

2013 €'000	Up to 1 year	1 to 3 Years	3 to 5 Years	5 to 10 Years	> 10 Years
Cash inflows (assets)	446	494	394	298	0
Cash outflows (liabilities)	(1,375)	(593)	(26)	(4)	0
<b>Cash flows (net)</b>	<b>(929)</b>	<b>(99)</b>	<b>368</b>	<b>294</b>	<b>0</b>

2012 €'000	Up to 1 year	1 to 3 Years	3 to 5 Years	5 to 10 Years	> 10 Years
Cash inflows (assets)	406	612	323	408	0
Cash outflows (liabilities)	(1,444)	(1,549)	(59)	(8)	0
<b>Cash flows (net)</b>	<b>(1,038)</b>	<b>(937)</b>	<b>264</b>	<b>400</b>	<b>0</b>

The effective portion of the change in the value of the hedging instrument was taken to *Other comprehensive income* and reported in a separate line item (*Cash flow hedge reserve*).

Changes in the value of these derivatives were set against the future compensating effects of the hedging relationships,

whose recognition on the Balance Sheet was not yet allowed. The cash flow hedge reserve was reversed through profit or loss in the periods in which the cash flows from the hedged items affected profit or loss for the period. The ineffective portion of hedging derivatives must be recognized in profit or loss.

The Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* decided that, as of 31 December 2013, the designation of cash flow hedges should no longer take place. The cash flow hedge reserve was distributed through profit or loss over the remaining term of the hedged items.

#### ***Classification of Financial Instruments in Accordance with IFRS 7***

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

#### ***Receivables***

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

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

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

#### ***Impairment Allowance Balance***

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

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

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

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

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

#### ***Trading Assets***

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

Securities and derivative instruments held for trading purposes were measured at fair value. In the case of listed products, exchange prices were used as fair values. In the case of unlisted products, prices close to market prices (*Bloomberg, Reuters*) were used. If such prices were not available, primary financial instruments and forwards were measured using internal prices based on present value calculations, and options were measured using appropriate option pricing models. Derivatives held for trading were also recognized as part of

the trading portfolio. Where fair values were positive, these derivatives were classified as *Trading assets*. Where fair values were negative, they were recorded on the Balance Sheet in the line item *Trading liabilities*. The fair values of derivatives were calculated without accrued interest (giving clean prices). Positive and negative fair values were not netted off against each other.

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

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

### ***Securities and Equity Investments***

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

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

versed through profit or loss. Impairments within the meaning of IAS 39 were recognized through profit or loss in the line item *Profit/(loss) from financial investments*.

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

### ***Investments in Entities Accounted for Using the Equity Method***

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

### ***Intangible Assets***

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

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

At the balance sheet date, *Raiffeisenlandesbank NÖ-Wien AG* had no self-produced intangible assets with reliably determi-

nable conversion costs that were likely to generate future economic benefits.

### ***Property and Equipment***

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

Useful life	Years
Buildings	25 to 50
Office furniture and equipment	2 to 20

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

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

### ***Other Assets***

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

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

### ***Payables***

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading were measured at amortized cost. Accrued interest was reported in the perti-

nent line item on the Balance Sheet. Premiums and discounts were accrued over the term of a liability.

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

### ***Liabilities Evidenced by Paper***

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

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

### ***Trading Liabilities***

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

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

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

### **Other Liabilities**

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

### **Provisions**

Provisions were created if there was a reliably determinable legal or actual obligation to a third party arising from events in the past the meeting of which was likely to cause a drain of resources in the future. It was also important that the amount of the obligation could be reliably determined. If it could not be reliably determined, no provision was created. The amount of the recognized obligation was based on a best

possible estimate of the amount of the future drains of resources. Drains of resources were deduced on the basis of an approach that was made as objective as possible from a spectrum of possible events leading to the fulfilment of the obligation. The occurrence of the obligation had to be judged more likely than non-occurrence for a provision to be recognized on the Balance Sheet. Since the use of estimates is a part of the process of preparing financial statements, especially when assessing provisions, provisions are in principle highly uncertain. For this reason in particular, actual expenses may differ from the provisions that have been put in place. Long-term provisions were only discounted if their present value differed materially from their nominal value and if the estimate of the necessary factors underlying their calculation was reliable.

All provisions for so-called ‘social capital’ (*Sozialkapitalrückstellung*: (provisions for post-employment, termination and jubilee benefits and for part-time work by older staff) were calculated in accordance with *IAS 19 Employee Benefits* (2011) using the *projected unit credit method*.

A distinction was made between two kinds of old-age benefit plan for post-employment benefits:

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

*Defined benefit plan*: The Raiffeisenlandesbank NÖ-Wien Group has, with legally binding effect and irrevocably, promised a group of employees defined benefit plans (by way of so-called *post-employment benefit statutes*, special agreements) that specify the amounts of subsequent pensions. These plans are partly unfunded (i.e. the funds needed to pay for them remain within the enterprise) and partly funded (i.e. the funds are saved with the pension fund and/or insurers). Pension

promises under so-called *post-employment benefit statute* agreements were last made to the employees of the former *RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung* on 30 June 1990 and to the employees of the former *Raiffeisenbank Wien AG* on 31 January 1996. When benefits are paid under post-employment benefit statutes and financed from the pension fund, the entitlement is determined once, at the time the employee retires, and then transferred to a defined contribution plan. After that, no further amounts need to be paid for that beneficiary. Such a removal from the scope of actuarial valuations was reported separately. There was an unlimited obligation to pay top-up contributions for the remaining employees, who had pension fund promises. In other words, if there is a funding gap, further contributions must still be paid even if benefits are already being paid.

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

To ascertain termination benefit obligations in the case of employees who joined the organization up to and including 2002, the present value of the total obligation and additional entitlements earned in the period were determined using the *projected unit credit method* in accordance with generally accepted actuarial practice. Entitlements to termination benefits existed under the collective agreement for the salaried employees of the auditing associations and *Regional Raiffeisen Banks (Raiffeisenlandesbanken)* within the *Raiffeisen* organization (*Kollektivvertrag für die Angestellten der Revisionsverbände und Landesbanken der Raiffeisenorganisation*) and as a result of promises made in individual contracts. In the case of all employees who joined the organization on or after 1 January 2003, the termination benefit obligations were assumed by a staff benefit fund and a defined contribution system was in place in that area. The enterprise paid contributions to a staff benefit fund on the basis of legislative provisions. Having paid the contributions, the enterprise did not have any further benefit obligations.

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

The same applied, *mutatis mutandis*, to the provision for jubilee benefits. Under the collective agreement for the salaried employees of the auditing associations and *Regional Raiffeisen Banks* within the *Raiffeisen* organization and by in-house agreement, employees are entitled to jubilee benefits when they reach 25 and 35 years of service.

Individual agreements were made regarding part-time work by older staff. These provide for regulated part-time work by older staff within the framework of the provisions set out in § 27 *AIVG* (Austrian unemployment insurance act). The amount of compensation during part-time work by older staff is set as a percentage of the gross monthly salary payable for full-time employment. In addition, the employer undertakes in accordance with the legislative provisions to make up the salary and pay the statutory social insurance contributions in accordance with the monthly salary for full-time employment. When the provision for part-time work by older staff was made, the calculation took account of the individual durations of each promise. No allowance was made for fluctuation rates.

The Raiffeisenlandesbank NÖ-Wien Group applied the changes to IAS 19 ahead of time in 2012. Now, all changes in the value of net obligations must be recognized in the same reporting period. Actuarial gains and losses were recognized in *Other comprehensive income*. Like past service costs, the net interest cost was recognized in the Income Statement in the line item *General administrative expenses*.

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



Other provisions were created for indefinite obligations to third parties in the amount of the expected claims.

### ***Subordinated Debt Capital***

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

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

### ***Equity***

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

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

### ***Income Tax***

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

Since the 2005 assessment year, *Raiffeisenlandesbank NÖ-Wien AG* has been a member of a taxable enterprises group (*steuerliche Unternehmensgruppe*) within the meaning of § 9 KStG (Austrian corporation tax act) under group parent (*Gruppenträger*) *Raiffeisen-Holding NÖ-Wien*. It has concluded a tax contribution agreement (*Steuerumlagenvereinbarung*) with the group parent. The profit transfer agreement, concluded among other things because of prior group taxation rules (*Organschaft*), remained in place. In the 2013 assessment year, the taxable enterprises group under group parent *Raiffeisen-Holding NÖ-Wien* had 70 members besides group member *Raiffeisenlandesbank NÖ-Wien AG* (2012: 72). The basis of assessment for taxation of the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent's tax loss carryforwards to the extent allowed by law. *Raiffeisenlandesbank NÖ-Wien AG* incurs group corporation tax (*Gruppenkörperschaftsteuer*), which is assessed at the level of the group parent *Raiffeisen-Holding NÖ-Wien*, on a proportionate basis. A contractually agreed tax contribution is payable to group parent *Raiffeisen-Holding NÖ-Wien* for the untaxed portion of the taxable profit of *Raiffeisenlandesbank NÖ-Wien AG*. If *Raiffeisen-*

*landesbank NÖ-Wien AG* makes a tax loss, a negative tax contribution will be charged.

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

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

### ***Income Statement***

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

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

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

*Net trading income* includes all realized and revaluation gains and losses arising from trading in securities, currencies and derivatives and interest income and interest expenses arising

from derivatives held for trading. Interest and dividend income arising from securities held for trading and the costs of funding them were recognized in the line item *Net interest income*.

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

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

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

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

### ***Repo Transactions***

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

During reverse repo transactions, assets are acquired subject to a simultaneous undertaking to sell them in the future subject to payment. Such transactions were recognized on the Balance Sheet in the line item *Loans and advances to other*

*banks* or *Loans and advances to customers*. Interest expenses arising from repos and interest income from reverse repos were deferred over the transaction's term. They were recognized in the line item *Net interest income*.

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

### **Securities Lending**

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

### **Trust Activities**

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

### **Leasing**

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

### **Foreign Currency Translations**

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

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

### **Latitude of Judgement and Estimates**

In the Consolidated Financial Statements, latitude of judgement was exercised and applied to an appropriate extent when applying recognition and measurement policies and assumptions were made that affected the recognition of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and the reporting of income and expenses during the reporting period.

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

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

#### Fair Values of Financial Instruments

If the market in a financial instrument was not an active market, its fair value was determined using a valuation method or pricing model. In general, valuation methods and models involved estimates whose extent depended on the instrument's complexity and the availability of market-based data. The valuation categories and valuation models are elucidated in the section on *Financial Instruments*. Further information is provided in note (31) *Fair values of financial instruments*.

#### Impairment Allowances for Future Losses on Loans and Advances and Interest Rebates

Financial assets measured at amortized cost were impairment tested as at each balance sheet date to ascertain whether impairments should be recognized in the Income Statement. In particular, it was assessed whether there was objective evidence of impairment due to loss events occurring after their initial recognition. Furthermore, when determining the amount of the impairment allowance, it is necessary to estimate the amount and time of future payment flows. A more detailed description and presentation of the impairment provisions is contained in note (2) *Impairment charge on loans and advances* (Income Statement), (15) *Impairment allowance balance* (Balance Sheet) and (29) *Risks arising from financial instruments* (Risk Report).

#### Provisions for Post-employment Benefits, Termination Benefits and Similar Obligations

The costs of defined benefit plans were assessed using actuarial methods. Actuarial assessment was based on assumptions regarding discount rates, the future level of salaries, the calculated retirement age, mortalities and future increases in pen-

sions. The assumptions and estimates made to calculate long-term employee benefit obligations are explained in the section on *Provisions*. Quantitative information is provided in note (26) *Provisions*.

#### Non-financial Assets

Non-financial assets like investments in entities accounted for using the equity method, property and equipment and intangible assets that had a determinable useful life were impairment tested if there was evidence of impairment. This was, in particular, the case if events or a change in general conditions – e.g. a worsening of the economic climate – indicated that the assets could be impaired. Management must make estimates and judgements to determine recoverable amounts in the course of impairment tests. Changes in the underlying conditions and assumptions can lead to big differences compared with carrying values on the Balance Sheet.

The Raiffeisenlandesbank NÖ-Wien Group did not have any goodwill items or intangible assets without a determinable useful life that underwent annual impairment testing.

#### Deferred Tax Assets

Deferred tax assets were recognized to the extent that it was probable that sufficient taxable profit would be available in the future against which the tax loss carryforwards or deductible temporary differences could be utilized. Assessing this requires Management to make judgements and assessments to a significant extent.

The consolidated Raiffeisenlandesbank NÖ-Wien Group consisted of *Raiffeisenlandesbank NÖ-Wien AG* and five other subsidiaries. The five subsidiaries were non-operating intermediate holding companies some of which had no deductible temporary differences. Deferred tax assets were not recognized where there were deductible temporary differences if there were no future taxable profits.

When calculating the amount of recognizable deferred tax assets, the Raiffeisenlandesbank NÖ-Wien Group made use of information about business result forecasts agreed by the Managing Board and historical data about tax amounts and profitability.

Deferred taxes were not shown separately in the Income Statement and on the Balance Sheet. Details are provided in the Notes in point (10) Income Tax, point (20) Other assets and C. Consolidated Statement of Changes in Equity.

### **Changes in the Reporting of Profit or Loss**

The Consolidated Income Statement now ends with the line item *Profit for the year after tax*. The interests of the equity holders of the parent previously included in *Consolidated net profit for the year* are now reported in the form of a disclosure designated as *Of which attributable to equity holders of the parent*, and the interests previously disclosed as *Minority interests in profit* are now similarly included in a disclosure

designated as *Of which minority interests in profit*. The change in format did not materially affect the Consolidated Income Statement.

In the course of the introduction of the revised presentation of comprehensive income as a result of the amendment of IAS 1, the gains and losses reclassified from *Other operating profit/(loss)* to the Consolidated Income Statement in the period under review were now reported directly in the reconciliation to consolidated comprehensive income.

### **New Standards and Interpretations**

The following new or revised standards and interpretations are effective for annual periods beginning on or after 1 January 2013 and were applied in these Consolidated Financial Statements:

		<b>Effective in the EU for Annual Periods Beginning on or After</b>	<b>Already Adopted by the EU</b>
New Provisions			
<i>New Standard</i>			
IFRS 13	Fair Value Measurement	1 January 2013	Yes
<i>Amendments to Standards</i>			
IAS 1	Presentation of Financial Statements - Amendment on Presentation of Items of Other Comprehensive Income	1 July 2013	Yes
IAS 12	No transl_Ertragssteuern: Latente Steuern - Realisierung von zugrunde liegenden Vermögenswerten	1 January 2013	Yes
IFRS 1	No transl_Erstmalige Anwendung der International Financial Reporting Standards - Darlehen der öffentlichen Hand	1 January 2013	Yes
IFRS 1	No transl_Erstmalige Anwendung der International Financial Reporting Standards - Ausgeprägte Hochinflation und Streichung der Verweise auf feste Zeitpunkte für Erstanwender der IFRS	1 January 2013	Yes
IFRS 7	No transl_Finanzinstrumente: Angaben - Aufrechnung finanzieller Vermögenswerte und finanzieller Schulden	1 January 2013	Yes
Various	Improvements to the International Financial Reporting Standards (2009-2011)	1 January 2013	Yes
<i>New Interpretations</i>			
IFRIC 20	Stripping Costs in the Production of a Surface Mine	1 January 2013	Yes

The amendments to *IAS 19 Employee Benefits* extended the accounting for and reporting of revaluations in comprehensive income. They are effective from 1 January 2013 but we already applied them ahead of time to the 2012 financial year.

IFRS 13 has established an extensive framework for measuring the fair values of financial and non-financial items. The existing guidance on measuring fair value contained in the various current standards was replaced by this one standard. It defines fair value, provides guidance on the measurement of fair value and requires entities to disclose how they measure fair value. IFRS 13 does not specify whether or when fair value should be used. Instead, it specifies how fair value should be measured if another standard requires fair value measurement. IFRS 13 requires enhanced disclosures on fair values and their measurement. Consequently, its application has resulted in corresponding amendments to the Notes.

To take account of the counterparty default risk on OTC (over-the-counter) derivatives that were not protected by CSAs (credit support annexes), a CVA (credit value adjustment) was carried out that captured the cost of hedging against this risk in the market. The CVA was calculated as the product of the expected positive fair value of the derivative (expected positive exposure or EPE), the loss given default (LGD) and the probability of default (PD) associated with the counterparty. The EPE was calculated through simulation and the LGD and PD were calculated on the basis of market data (CDS [Credit Default Swap] spreads insofar as they were directly available for the particular counterparty or could be obtained by mapping the counterparty's creditworthiness to reference counterparties). The debt value adjust-

ment (DVA) is an adjustment one makes for one's own default probability. The method used to calculate this is similar to the method used to calculate the CVA, but the expected negative fair value (expected negative exposure or ENE) is used instead of the expected positive fair value. In the 2013 financial year, the first-time consideration of the CVA and DVA in the valuation of derivatives led to a charge of €6.6 million to *Other operating profit/(loss)* and expense of €0.1 million in the line item *Net trading income*.

The presentation of other comprehensive income in accordance with IAS 1 required separate subtotals for certain items. This amendment to the standard resulted in the presentation of subtotals for elements:

- that may be 'recycled' through profit or loss in subsequent periods
- that cannot be reclassified to profit or loss (not 'recycled') in subsequent periods

For instance, the first presentation variant is used for cash flow hedges. Among other things, the non-recycled presentation is used for actuarial gains and losses upon the revaluation of provisions for staff benefits in accordance with IAS 19.

The revision of IAS 12 *Income taxes: Deferred Tax – Recovery of Underlying Assets* is based on the refutable assumption that the carrying amount will normally be realized through sale rather than use.

The following new or revised standards and interpretations had already been issued by the IASB or IFRIC but had not yet all entered into force in the EU:

New Provisions		Effective in the EU for Annual Periods Beginning on or After*	Already Adopted by the EU
<i>New Standard</i>			
IAS 27	Separate Financial Statements (revised 2011)	1 January 2014	Yes
IAS 28	Investments in Associates and Joint Ventures (revised 2011)	1 January 2014	Yes
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	No
IFRS 10	Consolidated Financial Statements	1 January 2014	Yes
IFRS 11	Joint Arrangements	1 January 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	Yes
<i>Amendments to Standards</i>			
IAS 19	Employee Benefits: Defined Benefit Plans - Employee Contributions	1 July 2014	No
IAS 27	Separate Financial Statements (revised 2011) - Investment Entities	1 January 2014	Yes
IAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities	1 January 2014	Yes
IAS 36	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	Yes
IAS 39	Financial Instruments: Recognition and Measurement - Novation of Derivates and Continuation of Hedge Accounting	1 January 2014	Yes
IFRS 7	Financial Instruments: Disclosures - Disclosures for IFRS 9 First-time Adopters	1 January 2018	No
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Derecognition	1 January 2018	No
IFRS 10	Consolidated Financial Statements - Investment Entities	1 January 2014	Yes
IFRS 10	Consolidated Financial Statements - Transition Guidance	1 January 2014	Yes
IFRS 11	Joint Arrangements - Transition Guidance	1 January 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities - Investment Entities	1 January 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities - Transition Guidance	1 January 2014	Yes
IFRS 14	Regulatory Deferral Accounts	1 January 2016	No
Various	Improvements to the International Financial Reporting Standards (2010-2012 Cycle)	1 July 2014	No
Various	Improvements to the International Financial Reporting Standards (2011-2013 Cycle)	1 July 2014	No
<i>New Interpretations</i>			
IFRIC 21	Levies	1 January 2014	No

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

Use was not made of the option of applying individual new or revised standards and interpretations ahead of time.

The changes to IAS 19 *Employee Benefits: Defined Benefit Plans – Employee Contributions* clarifies how service-related pension contributions from either employees or third parties should be attributed and simplifies the accounting for contri-

butions that are independent of the number of years of employee service.

The revised IAS 27 *Separate Financial Statements* (2011) now only comprises the requirements for separate financial statements, which have not changed. The other parts of IAS 27 *Consolidated and Separate Financial Statements* have been superseded by IFRS 10 (see below).

The revised IAS 28 contains consequential amendments arising from the publication of IFRS 10, IFRS 11 and IFRS 12 (see below).

The offsetting requirements in IAS 32 have on principle been retained and made more concrete by additional application guidance. The disclosure requirements in respect of certain offsetting agreements added in IFRS 7 are new.

The changes to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* relate to additional disclosures of information regarding the measurement of recoverable amounts for impaired assets if those amounts are based on fair value less costs to sell.

As a result of the amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting*, derivatives are still, despite novation, designated as hedges as long as the designated hedge relationships are valid. The prerequisite is that novation is to a central counterparty or CCP as a result of legal and regulatory requirements.

From 2018, IFRS 9 will change the classification and measurement of financial instruments. This standard is the first part of a three-phase project designed to replace IAS 39 in its present form. In the first published version (2009), IFRS 9 only offered two categories of financial instrument: debt instruments, which are measured at amortized cost, and financial instruments, which are measured at fair value through profit or loss (or, in the case of equity instruments, as an option, through other comprehensive income). In the new stipulations regarding the recognition of financial liabilities, the fair value option is still available, but the amount of the

fair value change attributable to the change in default risk is recorded in equity in other comprehensive income. The remaining amount is still recognized in profit or loss. The amendments to IFRS 9 on general hedge accounting were published in November 2013. In future, hedge accounting is to be more closely aligned with operational risk management practices. Moreover, the qualitative characteristics of hedging relationships already known in principle from IAS 39 must still be present so that they can also be recognized on the balance sheet.

In its current draft on impairment, the IASB is proposing a model in which impairment losses will not first be recognized when they are incurred. Rather, in future, a charge for losses should also be made for expected credit losses on financial instruments that are not yet impaired.

A final assessment of the effects of this new standard will only be possible when all its parts have been completed. During the IASB meeting on 20 February 2014, the Board tentatively decided that IFRS 9 should enter into force on 1 January 2018.

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

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31. The option of applying proportionate consolidation when accounting for jointly controlled entities has been removed.

IFRS 12 concentrates and redefines the requirements regarding disclosures of interests in other entities. It applies to consolidated entities, unconsolidated entities, associates and joint arrangements.



There was no application for IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* within the Group.

IFRIC 21 *Levies* provides guidance on when to recognize a liability for a levy imposed by a government. The required approach also applies to interim reports.

With the exception of IFRS 9, the amended and revised financial reporting standards described above are not expected to materially affect the presentation of the Group's assets, liabilities, financial position and profit or loss. The application of IFRS 10, IFRS 11 and IFRS 12 will not materially affect the scope of consolidation and measurement methods in the 2014 financial year. The changed requirements will lead to corresponding changes to the Notes.

## Details of the Consolidated Income Statement

### (1) Net interest income

€'000	2013	2012
<b>Interest income</b>	<b>551,291</b>	<b>674,233</b>
from loans and advances to other banks	93,345	138,083
from loans and advances to customers	244,380	286,240
from trading assets and liabilities	2,708	2,919
from other variable-yield securities	152,185	182,244
from derivative financial instruments	58,652	64,747
Other	21	0
<b>Current income</b>	<b>18,207</b>	<b>18,552</b>
from shares and other variable-yield securities	10,751	17,008
from interests in subsidiaries	4,958	316
from other equity investments	2,498	1,228
<b>Total interest and similar income</b>	<b>569,497</b>	<b>692,785</b>
<b>Interest expenses</b>	<b>(423,720)</b>	<b>(531,950)</b>
on deposits from other banks	(108,937)	(170,812)
on deposits from customers	(76,665)	(108,457)
on liabilities evidenced by paper	(160,016)	(132,859)
on subordinated debt capital	(30,685)	(30,525)
from derivative financial instruments	(47,325)	(89,214)
Other	(92)	(83)
<b>Total interest expenses and similar charges</b>	<b>(423,720)</b>	<b>(531,950)</b>
<b>Net interest income</b>	<b>145,777</b>	<b>160,835</b>

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

*Interest income* includes interest income (unwinding) from impaired loans and advances to customers and other banks in the amount of €5,856 thousand (2012: €9,101 thousand).

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

€'000	2013	2012
Interest income	455,669	561,293
Interest expenses	(349,917)	(415,480)

*(2) Impairment charge on loans and advances*

€'000	2013	2012
<i>Item-by-item allowances for impairment</i>	(62,351)	(55,612)
Impairment allowances	(103,543)	(89,327)
Impairment reversals	50,021	32,723
Direct write-offs	(10,200)	(442)
Recoveries of loans and advances previously written off	1,371	1,434
<i>Collective assessment of impairment of the portfolio</i>	(4,030)	(833)
Impairment allowances	(7,546)	(4,175)
Impairment reversals	3,516	3,342
<b>Total</b>	<b>(66,381)</b>	<b>(56,445)</b>

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

*(3) Net fee and commission income*

€'000	2013	2012
<i>Fee and commission income</i>	<b>96,345</b>	<b>99,817</b>
Payment services	35,924	35,446
Loan processing and guarantee operations	14,113	15,476
Securities operations	26,467	28,084
Foreign exchange, notes-and-coin and precious-metals business	4,950	5,324
Other banking services	14,890	15,487
<i>Fee and commission expenses</i>	(27,175)	(27,966)
Trust activities	(2,115)	(111)
Payment services	(15,903)	(16,019)
Loan processing and guarantee operations	(3,184)	(3,218)
Securities operations	(4,288)	(6,491)
Foreign exchange, notes-and-coin and precious-metals business	(1,024)	(1,065)
Other banking services	(660)	(1,062)
<b>Net fee and commission income</b>	<b>69,170</b>	<b>71,851</b>

**(4) Net trading income**

*Net trading income* shows interest income from and interest expenses on derivatives held for trading and realized and unrealized changes in the fair values of trading portfolios.

Interest and dividend income on and the interest costs of funding securities held for trading were recognized in *Net interest income*.

€'000	<b>2013</b>	<b>2012</b>
<i>Interest rate contracts</i>	(883)	(5,231)
Of which from securities	(1,886)	91
Of which from derivative contracts	1,003	(5,322)
<i>Currency contracts</i>	3,399	1,325
<i>Equity and index contracts</i>	1,844	9,372
Of which from securities	1,762	9,026
Of which from derivative contracts	82	346
<i>Other contracts</i>	537	2,108
<b>Total</b>	<b>4,898</b>	<b>7,574</b>

**(5) Profit from investments in entities accounting for using the equity method**

€'000	<b>2013</b>	<b>2012</b>
Group's interest in annual profits or losses	153,411	93,599
<b>Total</b>	<b>153,411</b>	<b>93,599</b>

*(6) Profit/(loss) from financial investments*

€'000	2013	2012
<i>Gains less losses from financial instruments classified as held to maturity</i>	238	(2,356)
Of which revaluation gains and losses	(5,681)	(3,491)
Of which gains and losses on disposal	5,919	1,135
<i>Gains less losses from financial instruments classified as available for sale and measured at fair value</i>	8,432	(27,437)
Of which revaluation gains and losses	(8,438)	(23,509)
Of which gains and losses on disposal	16,870	(3,928)
<i>Gains less losses from financial instruments classified as available for sale and measured at cost</i>	(33,663)	(2,946)
Of which revaluation gains and losses	(33,681)	(2,620)
Of which gains and losses on disposal	19	(326)
<i>Gains less losses from investments in entities accounted for using the equity method</i>	35	(59,840)
Of which gains and losses on disposal and on ceasing to use the equity method	35	(59,840)
<i>Gains less losses from unlisted securities recognized as receivables and classified as loans and receivables</i>	(6,217)	1
Of which revaluation gains and losses	(6,781)	0
Of which gains and losses on disposal	563	1
<i>Gains less losses from financial instruments designated as at fair value through profit or loss</i>	13,606	59,849
Of which revaluation gains and losses	38,492	66,723
Of which gains and losses on disposal	(24,886)	(6,874)
<i>Gains less losses on liabilities measured at cost</i>	30,109	761
Of which revaluation gains and losses	28,700	0
Of which realized gains and losses	1,409	761
<b>Total</b>	<b>12,540</b>	<b>(31,968)</b>

In 2012, *Profit from investments in entities accounted for using the equity method* included a special item in the amount of negative €59.8 million that accounted for the effect on profit or loss of selling to the RZB Group *Raiffeisenlandesbank NÖ-Wien AG's* stake in *Raiffeisen Bank Zrt.* (Hungary) and of ceasing to account for the investment in RBI using the equity method.

*Profit/(loss) from financial instruments designated as at fair value through profit or loss* included profit/(loss) from financial instrument designated as at fair value through profit or loss using the fair value option. Consequently, to avoid any accounting mismatch, revaluation gains and losses on deriva-

tives measured in the same way as liabilities evidenced by paper and subordinated liabilities designated as at fair value through profit or loss were reported in this line item in the Income Statement.

The line item *Revaluation gains and losses on financial investments* includes a revaluation loss of €28.7 million on subscribed participation capital (*Genussrechtkapital*). This was matched by a corresponding revaluation gain of €28.7 million on an issuance because redemption of that bond only takes place to the extent that the above participation capital is serviced or repaid. Revaluation gains and losses on financial instruments designated as at fair value through profit or loss

are the net result of value fluctuations. Revaluation gains and losses on financial instruments classified as available for sale and measured at fair value included a write-back in the amount of €1,178 thousand (2012: €4,226 thousand). All

other revaluations were downward and recognized as impairments.

(7) *General administrative expenses*

€'000	2013	2012
<i>Staff costs</i>	<i>(114,307)</i>	<i>(105,927)</i>
Of which wages and salaries	(81,310)	(77,518)
Of which social security costs	(20,788)	(19,672)
Of which voluntary fringe benefits	(1,895)	(1,956)
Of which expenditure on termination and post-employment benefits	(10,315)	(6,781)
<i>Other administrative expenses</i>	<i>(94,551)</i>	<i>(80,261)</i>
Of which building rental, maintenance and operating costs	(21,407)	(17,220)
Of which IT costs	(31,457)	(26,555)
Of which advertising and entertainment expenses	(13,663)	(14,712)
Of which other items	(28,024)	(21,774)
<i>Depreciation/amortization/write-offs of property and equipment and intangible assets</i>	<i>(5,237)</i>	<i>(4,756)</i>
Of which of property and equipment	(2,296)	(2,280)
Of which of intangible assets	(2,941)	(2,476)
<b>Total</b>	<b>(214,095)</b>	<b>(190,944)</b>

*Other administrative expenses* includes rental and leasing expenses in the amount of €17,835 thousand (2012: €14,776 thousand)

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

2013 €'000	KPMG Austria AG	Österreichischer Raiffeisenverband
Audit of the Annual Financial Statements and Consolidated Financial Statements	194	521
Other auditing services	15	231
Tax consulting services	11	0
Other services	1	33
<b>Total</b>	<b>221</b>	<b>785</b>

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

**(8) Other operating profit/(loss)**

Among other things, the line item *Other operating profit/(loss)* includes income and expenses arising from non-banking activities, from the bank levy, from damage events and from actual and contingent liabilities arising from potential customer complaint claims as well as income and expenses arising from the disposal of property and equipment and intangi-

ble assets. Changes in the values of derivatives designated in a hedge accounting relationship that required recognition in profit or loss were recognized in this line item. Moreover, this line item also contains revaluation gains and losses on derivative financial instruments that were neither held for trading nor hedging instruments within the meaning of IAS 39.

€'000	2013	2012
<i>Effect of hedge accounting</i>	<b>914</b>	<b>1,132</b>
Of which revaluation gains and losses on hedging instruments in fair value hedges	(86,239)	15,790
Of which revaluation gains and losses on hedged items in fair value hedges	87,153	(14,658)
<i>Gains less losses from other derivatives</i>	<b>30,660</b>	<b>15,972</b>
Of which from interest rate derivatives	35,841	14,661
Of which from currency derivatives	(4,395)	142
Of which credit derivatives	(787)	1,169
<i>Other operating income</i>	<b>21,132</b>	<b>16,446</b>
Of which income from services and reimbursed costs	15,281	12,933
Of which other items	5,850	3,513
<i>Other operating expenses</i>	<b>(32,922)</b>	<b>(71,214)</b>
Of which arising from damage events and damage claims	(13,151)	(51,372)
Of which arising from the solidarity association (Solidaritätsverein)	0	(676)
hievon Bankenabgabe	(19,079)	(19,079)
Of which other items	(692)	(87)
<b>Total</b>	<b>19,784</b>	<b>(37,664)</b>

*(9) Profit/(loss) from financial instruments*

€'000	<b>2013</b>	<b>2012</b>
<i>Gains less losses from financial instruments designated as at fair value through profit or loss</i>	40,737	71,846
Of which from financial instruments held for trading	19,651	(226)
Of which from financial instruments designated as at fair value through profit or loss	21,086	72,072
<i>Gains less losses from financial instruments classified as available for sale</i>	69,766	50,106
Of which taken from other comprehensive income and recognized in profit or loss for the financial year	16,552	(31,664)
Of which taken directly to profit or loss for the financial year	53,215	81,770
<i>Gains less losses from financial instruments classified as held to maturity</i>	37,493	66,569
<i>Gains less losses from financial instruments classified as loans and receivables</i>	267,668	374,408
<i>Gains less losses from liabilities measured at cost</i>	(319,809)	(414,719)
<b>Total</b>	<b>95,857</b>	<b>148,210</b>

*Gains less losses* in each valuation category for the purposes of IFRS 7 (20) (a) comprises revaluation gains and losses and gains and losses on disposal, interest income, interest expenses, dividends and other distributions. The revaluation gains

and losses recognized on available-for-sale financial instruments taken to other comprehensive income are disclosed in the reconciliation to consolidated comprehensive income.

*(10) Income tax*

€'000	<b>2013</b>	<b>2012</b>
<i>Current income tax</i>	3,921	8,725
Of which tax contribution	3,933	8,623
Of which current domestic tax	(8)	121
Of which current foreign tax	(4)	(19)
<i>Deferred tax</i>	16,373	(3,065)
<b>Total</b>	<b>20,294</b>	<b>5,660</b>



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

€'000	2013	2012
Profit for the year before tax	125,103	16,838
Theoretical income tax expense based on the domestic tax rate of 25 per cent	(31,276)	(4,210)
Effect of the lower tax contribution rate <sup>1</sup>	6,894	(12,602)
Reduction in the tax burden because of tax-exempt income from equity investments and other tax-exempt income	41,484	24,706
Increase in the tax burden because of non-tax deductible expenses	(2,561)	(11,571)
Use of tax loss carryforwards and remeasurement of deferred tax items	3,619	5,924
Other	2,134	3,413
<b>Actual tax burden</b>	<b>20,294</b>	<b>5,660</b>

<sup>1</sup> The tax contribution rates agreed within the scope of the group taxation regime were lower than the Austrian corporation tax rate. This line item shows the resulting effect on the actual income tax burden.

### (11) Segmental Reporting

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

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

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

Segments were defined according to the customers of *Raiffeisenlandesbank NÖ-Wien AG* being serviced.

The segmental reports distinguish between the following segments:

- The Retail Banking (Personal and Business Banking Customers) segment, which encompassed the Group's retail operations in Vienna.

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

Offerings in the personal and business banking customers segment consisted almost exclusively of standardized products like *Sparbuch* passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, overdrafts and mortgages and other special purpose loans.

- The Corporate Customers segment encompassed business conducted with corporate customers in the *Centrope* region, the public sector and institutional clients as well as international operations.

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

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

International Operations – a Head Office department – was responsible for processing export finance loans and foreign investments (e.g. export loans from export funds and OeKB and OeKB equity finance loans) as well as the structuring and settlement of letters of credit, collections and guarantees for Austrian and foreign clients. In addition, International Operations handled relations with correspondents (financial institutions) and foreign corporate customers.

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

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

The Treasury Department was responsible for *Raiffeisenlandesbank NÖ-Wien AGs* proprietary positions in on-balance sheet interest rate and priced products (e.g. money-market deposits) and off-balance sheet interest rate and priced products (forwards, futures and options). These included interest rate and currency contracts, and the Treasury Department was likewise responsible for liquidity management and asset liability management (maturity transformation). Its responsibilities also included the management of *Raiffeisen-*

*landesbank NÖ-Wien AGs* portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

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

- The Investments segment encompassed *Raiffeisenlandesbank NÖ-Wien AGs* banking-related equity investments, including in particular its investment in RZB.

This segment primarily encompassed the portfolio of equity investments in banks and other financial institutions. This also included *Raiffeisenlandesbank NÖ-Wien AGs* stake in the RZB Group – which was accounted for using the equity method – and all of the RZB Group's activities in Central and Eastern European countries as well as the stakes held directly in *Raiffeisen Informatik GmbH*.

- The Management Services segment corresponded to the Raiffeisen Banks and Management Services and Risk Management and Finance divisions in the Group's organizational chart.

This segment encompassed any activities carried out to support the other business segments' activities in the market. These consisted, in particular, of suitable marketing activities. All services rendered for *Raiffeisenkasse* banks within the scope of the Austrian *Raiffeisen* organization were included in this segment. In addition, this segment encompassed income and expenses that could not, by their nature, be allocated to any other segment.

The Raiffeisenlandesbank NÖ-Wien Group used two central steering benchmarks:

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

The *cost:income* ratio expresses a segment's cost efficiency. It is the ratio of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income, profit from investments in entities accounted for using the equity method and other operating prof-

it/(loss) (i.e. without profit/(loss) from financial investments and the impairment charge on loans and advances).

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

2013 €'000	<b>Personal and Business Banking Customers</b>	<b>Corporate Customers</b>	<b>Financial Markets and Organization</b>	<b>Invest- ments</b>	<b>Management Services</b>	<b>Total</b>
Net interest income	75,421	132,573	(13,878)	(48,955)	616	145,777
Impairment charge on loans and advances	(9,475)	(55,048)	(1,858)	0	0	(66,381)
Net interest income after impairment charge	65,946	77,525	(15,736)	(48,955)	616	79,396
Net fee and commission income	36,073	26,070	(2,667)	0	9,694	69,170
Net trading income	1,933	1,146	247	0	1,572	4,898
Profit from investments in entities accounted for using the equity method	0	0	0	153,411	0	153,411
Profit/(loss) from financial investments	0	(7,165)	16,000	3,705	0	12,540
General administrative expenses	(92,776)	(40,766)	(17,147)	(2,460)	(60,946)	(214,095)
Of which staff costs	(55,542)	(24,773)	(7,261)	(663)	(26,069)	(114,307)
Of which other administrative expenses	(34,983)	(15,589)	(7,996)	(1,774)	(34,209)	(94,551)
Of which depreciatoin/amortization/write- offs	(2,251)	(404)	(1,890)	(23)	(668)	(5,237)
Other operating profit/(loss)	5,368	(4,845)	28,636	(22)	(9,353)	19,784
<b>Profit for the year before tax</b>	<b>16,544</b>	<b>51,965</b>	<b>9,333</b>	<b>105,679</b>	<b>(58,418)</b>	<b>125,103</b>
Average risk-weighted assets, €m	1,747	7,865	2,293	1,960	401	14,266
Average allocated equity, €m	194	874	255	1,021	44	2,388
Return on equity before tax, %	8.5	5.9	3.7	10.4	-	5.2
Cost:income ratio, %	78.1	26.3	> 100	2.4	> 100	54.5

In 2012, the line item *Profit/(loss) from financial investments* in the investments segment was affected by the non-recurring effect of the sale of an investment and of ceasing to account for an investment in an entity using the equity method. See note (6) *Profit/(loss) from financial investments* for details.

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

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

## Details of the Consolidated Balance Sheet

### *(12) Cash and balances with the central bank*

€'000	<b>2013</b>	<b>2012</b>
Cash	404,646	679,031
<b>Total</b>	<b>404,646</b>	<b>679,031</b>

### *(13) Loans and advances to other banks*

€'000	<b>2013</b>	<b>2012</b>
Demand deposits	608,008	694,854
Time deposits	5,779,902	7,136,616
Other loans and advances	2,126,624	2,128,731
Debt instruments	5,480	23,799
Other	55,718	58,074
<b>Total</b>	<b>8,575,731</b>	<b>10,042,074</b>

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

€'000	<b>2013</b>	<b>2012</b>
Austria	7,831,073	8,833,520
Abroad	744,657	1,208,554
<b>Total</b>	<b>8,575,731</b>	<b>10,042,074</b>

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

**(14) Loans and advances to customers**

*Loans and advances to customers* broke down as follows:

€'000	2013	2012
Current accounts	1,452,380	1,444,473
Cash advances	1,122,302	742,068
Loans	8,365,373	8,185,378
Debt instruments	15	6,943
Other	64,512	86,400
<b>Total</b>	<b>11,004,581</b>	<b>10,465,262</b>

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

€'000	2013	2012
Public sector exposures	1,108,554	514,740
Retail customer exposures	1,679,042	1,651,113
Corporate customer exposures	8,216,984	8,299,409
<b>Total</b>	<b>11,004,581</b>	<b>10,465,262</b>

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

€'000	2013	2012
Austria	9,715,423	9,065,614
Abroad	1,289,158	1,399,648
<b>Total</b>	<b>11,004,581</b>	<b>10,465,262</b>

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

**(15) Impairment allowance balance**

2013 €'000	<b>At 1 January</b>	<b>Added</b>	<b>Reversed</b>	<b>Used</b>	<b>At 31 December</b>
<i>Item-by-item allowances for impairment</i>	296,765	95,951	(44,951)	(75,380)	272,385
Loans and advances to other banks	1,020	0	(39)	(486)	495
Of which abroad	1,020	0	(39)	(486)	495
Loans and advances to customers	295,745	95,951	(44,912)	(74,894)	271,890
Of which in Austria	275,069	83,420	(39,700)	(66,875)	251,914
Of which abroad	20,676	12,531	(5,212)	(8,019)	19,976
<i>Collective assessment of impairment of the portfolio</i>	21,913	7,545	(3,516)	0	25,942
Loans and advances to other banks	1,345	413	0	0	1,758
Loans and advances to customers	20,568	7,132	(3,516)	0	24,184
<i>Impairment allowance balance (loans and advances)</i> <sup>1</sup>	318,678	103,496	(48,467)	(75,380)	298,327
<i>Risks arising from off-balance-sheet liabilities</i> <sup>2</sup>	20,679	7,592	(5,072)	(170)	23,029
<b>Total</b>	<b>339,357</b>	<b>111,088</b>	<b>(53,539)</b>	<b>(75,550)</b>	<b>321,356</b>

<sup>1</sup> The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.

<sup>2</sup> Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*.

2012 €'000	<b>At 1 January</b>	<b>Added</b>	<b>Reversed</b>	<b>Used</b>	<b>At 31 December</b>
<i>Item-by-item allowances for impairment</i>	269,856	78,592	(28,518)	(23,165)	296,765
Loans and advances to other banks	3,113	0	(1,082)	(1,011)	1,020
Of which abroad	3,113	0	(1,082)	(1,011)	1,020
Loans and advances to customers	266,743	78,592	(27,436)	(22,154)	295,745
Of which in Austria	243,648	74,617	(23,610)	(19,586)	275,069
Of which abroad	23,095	3,975	(3,826)	(2,568)	20,676
<i>Collective assessment of impairment of the portfolio</i>	21,079	4,175	(3,341)	0	21,913
Loans and advances to other banks	2,906	0	(1,561)	0	1,345
Loans and advances to customers	18,173	4,175	(1,780)	0	20,568
<i>Impairment allowance balance (loans and advances)</i> <sup>1</sup>	290,935	82,767	(31,859)	(23,165)	318,678
<i>Risks arising from off-balance-sheet liabilities</i> <sup>2</sup>	23,597	10,735	(4,206)	(9,447)	20,679
<b>Total</b>	<b>314,532</b>	<b>93,502</b>	<b>(36,065)</b>	<b>(32,612)</b>	<b>339,357</b>

<sup>1</sup> The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.

<sup>2</sup> Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*.

**(16) Trading assets**

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

€'000	<b>2013</b>	<b>2012</b>
<i>Bonds and other fixed-interest securities</i>	77,622	213,564
Of which public-sector debt instruments eligible for rediscounting	235	0
Of which bonds and other debt securities issued by other issuers	77,386	213,564
<i>Shares and other variable-yield securities</i>	0	1,294
Of which shares	0	1,294
<i>Positive fair values of derivative contracts</i>	188,583	266,173
Of which interest rate derivatives	146,262	211,766
Of which currency derivatives	42,321	54,344
Of which equity and index derivatives	0	63
<i>Accruals arising from derivatives</i>	34,305	40,369
Of which interest rate derivatives	34,305	40,369
<b>Total</b>	<b>300,509</b>	<b>521,400</b>



## (17) Security and equity investments

€'000	2013	2012
<b><i>Bonds and other fixed-interest securities</i></b>	<b>4,959,161</b>	<b>5,767,907</b>
Classified as held to maturity	771,331	1,294,473
Of which public-sector debt instruments eligible for rediscounting	219,448	185,536
Of which other debt instruments issued by the public sector issuers	5,722	38,326
Of which bonds and other debt securities issued by other issuers	546,161	1,070,611
Designated as at fair value through profit or loss	1,025,817	1,792,483
Of which public-sector debt instruments eligible for rediscounting	96,649	30,091
Of which other debt instruments issued by the public sector issuers	12,088	51,061
Of which bonds and other debt securities issued by other issuers	917,080	1,711,331
Classified as available for sale, measured at fair value	3,162,013	2,680,951
Of which public-sector debt instruments eligible for rediscounting	2,106,852	1,217,590
Of which other debt instruments issued by the public sector issuers	0	299,272
Of which bonds and other debt securities issued by other issuers	1,055,161	1,164,089
<b><i>Shares and other variable-yield securities</i></b>	<b>174,505</b>	<b>475,255</b>
Designated as at fair value through profit or loss	55,027	272,447
Of which shares	1,089	1,067
Of which units in investment funds	45,797	246,821
Of which other variable-yield securities	8,142	24,559
Classified as available for sale, measured at fair value	119,478	174,108
Of which shares	27,207	33,403
Of which other variable-yield securities	92,271	140,705
Classified as available for sale, measured at cost	0	28,700
Of which other variable-yield securities	0	28,700
<b><i>Equity investments</i></b>	<b>64,132</b>	<b>44,400</b>
Classified as available for sale, measured at fair value	43,471	0
Of which other equity investments	43,471	0
Classified as available for sale, measured at cost	20,661	44,400
Of which equity investments in unconsolidated subsidiaries <sup>1</sup>	8,090	9,735
Of which equity investments in associates not accounted for using the equity method	3,218	3,218
Of which other equity investments	9,353	31,447
<b>Total</b>	<b>5,197,798</b>	<b>6,287,562</b>

<sup>1</sup> This total includes non-voting non-ownership 'participation' capital (*Partizipationskapital*) of *Raiffeisen-Holding NÖWien* in the amount of €277 thousand (year-end 2012: €277 thousand).

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

€'000	2013	2012
<i>Designated as at fair value through profit or loss</i>	1,080,845	2,064,930
Bonds and other fixed-interest securities	1,025,817	1,792,483
Shares and other variable-yield securities	55,027	272,447
<i>Classified as available for sale</i>	3,345,622	2,928,159
Measured at fair value	3,324,961	2,855,059
Bonds and other fixed-interest securities	3,162,013	2,680,951
Shares and other variable-yield securities	119,478	174,108
Equity investments	43,471	0
Measured at cost	20,661	73,100
Shares and other variable-yield securities	0	28,700
Equity investments	20,661	44,400
<i>Classified as held to maturity</i>	771,331	1,294,473
Bonds and other fixed-interest securities	771,331	1,294,473
<b>Total</b>	<b>5,197,798</b>	<b>6,287,562</b>

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

In 2011, *Raiffeisenlandesbank NÖ-Wien AG* reclassified bonds from the trading portfolio to the available for sale portfolio. This reclassification took place because of the shift in investment strategy from short-term trading to intended retention. Reclassification was carried out on the basis of fair values at the time of reclassification. At the time of reclassification, bonds issued by Austrian and foreign banks with a nominal value of €154,022 thousand were reclassified with a fair value of €150,604 thousand. At the time of reclassification, the estimated effective yields on the reclassified financial

instruments lay between 1.0 per cent and 6.6 per cent. The estimated achievable future cash flows came to €172,637 thousand. Until the time of their reclassification, revaluation gains less revaluation losses on the reclassified financial instruments recognized in *Net trading income* came to negative €304 thousand in 2011 (2010: negative €390 thousand).

At 31 December 2013, the reclassified securities had a carrying amount of €88,295 thousand (year-end 2012: €135,477 thousand) and a fair value of €88,378 thousand (year-end 2012: €135,801 thousand). Had the financial instruments not been reclassified as the result of a change in the holder's intentions with regard to retaining them, an unrealized revaluation gain of €1,639 thousand would have been recognized in *Net trading income* in the 2013 financial year (2012: unrealized revaluation loss of €9,094 thousand). In the 2013 financial year, interest income in the amount of €1,309 thousand was recognized after the time of reclassification (2012: €2,685 thousand) and a gain on disposal of €813 thousand was recognized (2012: loss of €512 thousand). As in the previous year, no impairment loss was recognized on the reclassified securities in the 2013 financial year.

During 2013, bonds classified as held to maturity were reclassified as available for sale. The investment strategy for the securities concerned shifted from intended long-term retention to the intention to sell because of the significant increase in regulatory own funds requirements (cut in risk-weighted assets and/or direct deductions from own funds) and liquidity cover ratio require-

ments. This was an exceptional case for the purposes of IAS 39 AG 22. Reclassification took place at the carrying amounts at the time of reclassification on the basis of the measurement policies applicable to the held to maturity portfolio. Securities with a value upon reclassification of €129,268 were reclassified.

#### (18) Intangible assets

€'000	2013	2012
<i>Acquisition costs</i>		
<i>At 1 January</i>	49,260	45,843
Additions	1,697	3,457
Disposals <sup>1</sup>	(102)	(40)
<i>At 31 December</i>	50,856	49,260
<i>Amortization</i>		
<i>At 1 January</i>	(40,480)	(38,004)
Disposals	3	0
Amortization during the financial year	(2,941)	(2,476)
<i>At 31 December</i>	(43,418)	(40,480)
<i>Carrying amounts</i>		
<i>At 1 January</i>	8,780	7,839
<i>At 31 December</i>	7,438	8,780

<sup>1</sup> This figure includes subsequent adjustments to acquisition and conversion costs.

The line item *Intangible assets* consists mostly of software. The elimination of intragroup investments and equity upon consolidation did not give rise to any goodwill.

*(19) Property and equipment*

€'000	<b>Land and buildings used by the Group for its own purposes</b>	<b>Other Property and Equipment (Office Furniture and Equipment)</b>
<i>Acquisition costs</i>		
<i>At 1 January 2013</i>	2,642	28,956
Additions	19	2,381
Disposals <sup>1</sup>	0	(2,275)
<i>At 31 December 2013</i>	2,661	29,062
<i>Amortization</i>		
<i>At 1 January 2013</i>	(2,027)	(21,327)
Disposals	0	1,988
Amortization during the financial year	(56)	(2,240)
<i>At 31 December 2013</i>	(2,083)	(21,579)
<i>Carrying amounts</i>		
<i>At 1 January 2013</i>	614	7,628
<i>At 31 December 2013</i>	577	7,483

<sup>1</sup>This figure includes subsequent adjustments to acquisition and conversion costs.

€'000	<b>Land and buildings used by the Group for its own purposes</b>	<b>Other Property and Equipment (Office Furniture and Equipment)</b>
<i>Acquisition costs</i>		
<i>At 1 January 2012</i>	2,642	28,296
Additions	0	2,050
Disposals <sup>1</sup>	0	(1,390)
<i>At 31 December 2012</i>	2,642	28,956
<i>Amortization</i>		
<i>At 1 January 2012</i>	(1,967)	(20,437)
Disposals	0	1,329
Amortization during the financial year	(61)	(2,220)
<i>At 31 December 2012</i>	(2,028)	(21,327)
<i>Carrying amounts</i>		
<i>At 1 January 2012</i>	674	7,859
<i>At 31 December 2012</i>	614	7,628

<sup>1</sup>This figure includes subsequent adjustments to acquisition and conversion costs.

*Land and Buildings used by the Group for its Own Purposes* consists exclusively of investments (structural adaptations) in such properties that did not belong to the Group itself.

Liabilities arising from the use of property and equipment not recognized on the Balance Sheet in the ensuing financial year came to €15,082 thousand (year-end 2012: €15,240 thousand). Such liabilities in the ensuing five financial years totalled €73,783 thousand (year-end 2012: €75,140 thousand).

*(20) Other assets*

€'000	2013	2012
<i>Tax assets</i>	24,131	10,441
Of which current tax assets	209	343
Of which deferred tax assets	23,922	10,098
<b><i>Positive fair values of derivative hedging instruments in fair value hedges</i></b>	<b>225,113</b>	<b>351,711</b>
Of which interest rate derivatives	223,266	347,696
Of which currency derivatives	0	2,136
Of which equity and index derivatives	1,847	1,879
<b><i>Positive fair values of derivative hedging instruments in cash flow hedges</i></b>	<b>0</b>	<b>23,867</b>
Of which interest rate derivatives	0	23,867
<b><i>Positive fair values of derivative financial instruments designated as at fair value through profit or loss</i></b>	<b>11,971</b>	<b>28,855</b>
Of which interest rate derivatives	11,967	28,840
Of which equity and index derivatives	4	11
Of which credit derivatives	0	4
<b><i>Positive fair values of other derivative financial instruments</i></b>	<b>664,555</b>	<b>1,157,035</b>
Of which interest rate derivatives	578,133	999,971
Of which currency derivatives	85,708	155,326
Of which credit derivatives	713	1,738
<b><i>Interest accruals arising from derivative financial instruments</i></b>	<b>217,410</b>	<b>242,364</b>
Of which interest rate derivatives	215,856	241,118
Of which currency derivatives	1,349	1,034
Of which equity and index derivatives	158	158
Of which credit derivatives	47	54
<b><i>Other items</i></b>	<b>197,397</b>	<b>163,456</b>
<b>Total</b>	<b>1,340,577</b>	<b>1,977,729</b>

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

In conformity with IAS 39, this line item also includes the positive fair values of derivative financial instruments that

were neither held for trading nor hedging instruments in a fair value or a cash flow hedge for the purposes of IAS 39.

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

*Deferred tax assets*

Tax was deferred as follows:

€'000	2013	2012
Deferred tax assets	23,922	10,098
<b>Net deferred tax assets</b>	<b>23,922</b>	<b>10,098</b>

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

€'000	2013	2012
Impairment allowance balance	6,486	5,478
Securities and equity investments	15,620	0
Deposits from other banks	18,569	29,710
Deposits from customers	4,758	14,215
Liabilities evidenced by paper	0	36,978
Other liabilities	240,858	387,237
Provisions	12,785	11,983
Other balance sheet items	6,094	14,492
<b>Deferred tax assets</b>	<b>305,170</b>	<b>500,093</b>
Loans and advances to other banks	5,098	11,423
Securities and equity investments	25,125	72,530
Other assets	218,180	378,066
Other balance sheet items	32,845	21,179
<b>Deferred tax liabilities</b>	<b>281,248</b>	<b>483,198</b>
<b>Impairment of deferred tax assets</b>	<b>0</b>	<b>6,797</b>
<b>Net deferred tax assets</b>	<b>23,922</b>	<b>10,098</b>

Assets in the amount of roughly €7,981 thousand (year-end 2012: €40,288 thousand) arising from as yet unused tax loss carryforwards and deductible temporary differences were not capitalized in the Consolidated Financial Statements because, as things stood at the time, it seemed unlikely that it would be possible to realize them within a reasonable period. The tax-

ble temporary differences for which no deferred tax liabilities were recognized in accordance with IAS 12.39 came to €1,307 million (year-end 2012: €1,393 million).

**(21) Deposits from other banks**

*Deposits from other banks* broke down as follows:

€'000	2013	2012
Demand deposits	2,974,649	3,254,929
Time deposits	5,289,960	7,624,491
Borrowed funds	764,403	1,763,950
<b>Total</b>	<b>9,029,012</b>	<b>12,643,370</b>

€'000	2013	2012
Austria	8,134,631	9,916,046
Abroad	894,381	2,727,324
<b>Total</b>	<b>9,029,012</b>	<b>12,643,370</b>

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

**(22) Deposits from customers**

*Deposits from customers* broke down into product groups as follows:

€'000	2013	2012
Sight deposits	4,804,850	4,439,102
Time deposits	1,188,765	1,202,245
Savings deposits	2,286,719	2,448,274
<b>Total</b>	<b>8,280,334</b>	<b>8,089,621</b>



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

€'000	2013	2012
Public sector exposures	718,555	768,425
Retail customer exposures	4,343,404	4,562,396
Corporate customer exposures	2,649,902	2,318,177
Other	568,473	440,623
<b>Total</b>	<b>8,280,334</b>	<b>8,089,621</b>

*Deposits from customers* broke down by region as follows:

€'000	2013	2012
Austria	7,180,554	7,079,352
Abroad	1,099,779	1,010,269
<b>Total</b>	<b>8,280,334</b>	<b>8,089,621</b>

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

### (23) *Liabilities evidenced by paper*

€'000	2013	2012
<i>Measured at amortized cost</i>	<b>6,046,963</b>	<b>5,264,492</b>
Issued bonds	5,074,295	4,378,610
Other liabilities evidenced by paper	972,668	885,882
<i>Designated as at fair value through profit or loss</i>	<b>636,390</b>	<b>664,424</b>
Issued bonds	583,838	612,399
Other liabilities evidenced by paper	52,552	52,025
<b>Total</b>	<b>6,683,353</b>	<b>5,928,916</b>

To avoid any accounting mismatch, the liabilities evidenced by paper that were designated as at fair value through profit or loss were measured in the same way as interest rate derivative financial instruments using the fair value option. Negative €1,112 thousand of the change in the fair values of these liabilities (year-end 2012: negative €3,984 thousand) – or,

accumulatively, negative €1,923 thousand (year-end 2012: negative €810 thousand) – was attributable to changes in the default risk in the year under review. The carrying amount of such liabilities was €9,773 thousand higher than the contractually agreed repayment amount (year-end 2012: €20,048 thousand). With the exception of liabilities hedged against

the exposure to interest rate risks in a fair value hedge, the 'other' liabilities accounted for here were measured at amor-

tized cost. They also included securities listed on the Vienna Stock Exchange.

**(24) Trading liabilities**

*Trading liabilities* contains the following derivative instruments held for trading:

€'000	<b>2013</b>	<b>2012</b>
<i>Negative fair values of derivative contracts</i>	161,382	261,140
Of which interest rate derivatives	129,870	220,247
Of which currency derivatives	31,512	40,887
Of which equity and index derivatives	0	6
<i>Accruals arising from derivatives</i>	32,931	39,928
Of which interest rate derivatives	32,931	39,928
<b>Total</b>	<b>194,313</b>	<b>301,068</b>

*(25) Other liabilities*

€'000	<b>2013</b>	<b>2012</b>
<i>Tax liabilities</i>	9,935	12,969
Of which current tax liabilities	9,935	12,969
<i>Negative fair values of derivative hedging instruments in fair value hedges</i>	256,560	296,919
Of which interest rate derivatives	256,514	296,866
Of which equity and index derivatives	46	53
<i>Negative fair values of derivative hedging instruments in cash flow hedges</i>	0	49,674
Of which interest rate derivatives	0	49,674
<i>Negative fair values of derivative financial instruments designated as at fair value through profit or loss</i>	41,126	82,217
Of which interest rate derivatives	41,126	82,209
Of which equity and index derivatives	0	2
Of which credit derivatives	0	6
<i>Negative fair values of other derivative financial instruments</i>	710,004	1,223,318
Of which interest rate derivatives	622,380	1,070,231
Of which currency derivatives	87,350	152,574
Of which credit derivatives	274	513
<i>Interest accruals arising from derivative financial instruments</i>	163,977	233,718
Of which interest rate derivatives	163,276	233,261
Of which currency derivatives	640	363
Of which equity and index derivatives	43	65
Of which credit derivatives	18	29
<i>Contractual profit transfer</i>	60,008	57,469
<i>Remaining other liabilities</i>	90,570	104,079
<b>Total</b>	<b>1,332,180</b>	<b>2,060,363</b>

Insofar as they met the requirements for hedge accounting for the purposes of IAS 39, derivative financial instruments were designated as hedges. The fair values of those derivatives are stated here without accrued interest (giving clean prices). In conformity with IAS 39, this line item also includes the negative fair values of derivative financial instruments that were neither held for trading nor hedging instruments in a fair

value or cash flow hedge for the purposes of IAS 39. The derivative financial instruments designated as at fair value through profit or loss were those derivatives that were measured in the same way as securities or liabilities evidenced by paper or subordinated liabilities using the fair value option.

**(26) Provisions**

€'000	2013	2012
Termination benefits	27,070	27,673
Post-employment benefits	43,200	45,525
Jubilee benefits and part-time work by older staff	5,318	5,150
Taxes	4	4
Of which current	4	4
Other	91,265	79,306
<b>Total</b>	<b>166,857</b>	<b>157,658</b>

**Provision for staff benefits**

An interest rate of 3.0 per cent *per annum* (2012: 3.0 per cent) was applied when calculating provisions for termination and post-employment benefits as of the reporting date. Future increases in salaries of 3.0 per cent *per annum* were assumed in the case of employees compensated outside the scope of collective agreements (2012: 3.0 per cent); of 4.0 per cent *per annum* in the case of employees compensated under collective agreements (2012: 4.0 per cent); of 4.5 per cent *per annum* in the case of employees compensated under the transitional collective agreement (2012: 4.5 per cent); and of 2.5 per cent *per annum* in the case of employees whose compensation was not being adjusted on a biennial basis (2012: 2.5 per cent). An annual pension increase of 2.5 per cent *per annum* was assumed for pensioners (2012: 2.5 per cent). Increases in the salaries of members of the Managing Board were accounted for individually. The provision for part-time work by older staff was calculated on the basis of an interest rate of 3.0 per cent *per annum* and assuming future increases in salaries of 4.5 per cent *per annum* in the case of employees compensated under the transitional collective agreement; of 4.0 per cent *per annum* in the case of employees compensated outside the

scope of collective agreements; and of 2.5 per cent in the case of employees whose compensation was not being adjusted on a biennial basis.

The biometrical basis for the computation of all provisions for 'social capital' (*Sozialkapitalrückstellung*) was obtained from *AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung* (computational framework for post-employment benefit insurance) – *Pagler & Pagler* using the variant for salaried employees. Calculations took place on the basis of the earliest possible retirement ages of men and women. Individual retirement ages were only taken into account when calculating the provision for part-time work by older staff.

As in 2012, in the light of estimates made on the basis of the provisional investment performance figures, a top-up contribution will not be required in respect of the 2013 financial year.

The changes in *IAS 19 Employee Benefits* (2011) were applied ahead of schedule.

Termination benefit obligations changed as follows:

€'000	<b>2013</b>	<b>2012</b>
Present value of the defined benefit obligations at 1 January	27,673	23,484
Service cost	1,377	1,224
Interest cost	801	1,026
Termination benefit payments	(1,683)	(1,503)
Transferred within the Group	(237)	0
Actuarial (gain)/loss for the financial year	(860)	3,442
Of which due to experience adjustments	(955)	(476)
Of which due to changes in demographic assumptions	95	(3,892)
Of which due to changes in financial assumptions	0	7,810
<b>Present value of the defined benefit obligations at 31 December (is the carrying amount at 31 December)</b>	<b>27,070</b>	<b>27,673</b>

Post-employment benefit obligations changed as follows:

€'000	<b>2013</b>	<b>2012</b>
Present value of the defined benefit obligations at 1 January	81,351	65,313
Service cost	1,766	1,402
Interest cost	2,393	2,867
Transferred to defined contribution plan	(2,055)	(1,261)
Payments to beneficiaries	(3,284)	(3,046)
Actuarial (gain)/loss for the financial year	(3,748)	16,076
Of which due to experience adjustments	(3,191)	(123)
Of which due to changes in demographic assumptions	(557)	0
Of which due to changes in financial assumptions	0	16,199
<b>Present value of the defined benefit obligations at 31 December</b>	<b>76,423</b>	<b>81,351</b>

Plan assets changed as follows:

€'000	2013	2012
Fair value of the plan assets at 1 January	35,826	33,786
Expected return on the plan assets	1,075	1,529
Transferred to defined contribution plan	(4,226)	(1,227)
Contributions to plan assets	1,323	1,764
Taxes and costs arising from employer contributions	106	0
Retirement benefits paid from plan assets	(1,004)	(1,202)
Actuarial gain/(loss) for the financial year	122	1,176
Of which due to experience adjustments	122	1,176
<b>Fair value of the plan assets at 31 December</b>	<b>33,223</b>	<b>35,826</b>

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

€'000	2013	2012
Present value of the defined benefit obligations at 31 December	76,423	81,351
Fair value of the plan assets at 31 December	33,223	35,826
<b>Net obligations (is the carrying amount at 31 December)</b>	<b>43,200</b>	<b>45,525</b>

Breakdown of post-employment benefit obligations by beneficiaries:

€'000	2013	2012
<i>Present value of the defined post-employment benefit obligations at 31 December</i>	76,423	81,351
Of which benefit obligations to actively employed beneficiaries	30,957	32,746
Of which obligations to beneficiaries who have left the organization but who have vested entitlements	1,494	1,490
Of which obligations to pensioners	43,972	47,115

The plan assets were structured as follows:

%	<b>2013</b>	<b>2012</b>
Bonds and other fixed-interest securities	49.25	55.13
Shares and other variable-yield securities	32.10	32.53
Property	3.59	4.69
Other	15.06	7.65
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

2013 €'000	<b>Active Market</b>	<b>No Active Market</b>
Bonds and other fixed-interest securities	16,368	0
Shares and other variable-yield securities	10,669	0
Property	0	1,187
Other	4,158	840
<b>Total</b>	<b>31,196</b>	<b>2,027</b>

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

The following sensitivity analysis for post-employment and termination benefits obligations presents the impact on the

present value of the obligations (DBO) should material actuarial assumptions change. During these calculations, one material measurement parameter was changed at a time while the other parameters were left unchanged. Correlations between the parameters were not taken into account.

31 December 2013	+ /(-) Parameter Change	Percentage Effect on DBO	+ /(-) Parameter Change	Percentage Effect on DBO
<i>Provisions for post-employment benefits</i>				
Applied interest rate	0.75%	(11.47)	(0.75)%	13.97
Retirement age	1 Jahr	(1.82)	(1) Jahr	1.92
Assumed increase in pension qualifying period	0.25%	1.00	(0.25)%	(0.97)
Assumed increase in current benefits	0.25%	3.31	(0.25)%	(3.16)
Remaining life expectancy	1 Jahr	1.79	(1) Jahr	(1.88)
<i>Provisions for termination benefits</i>				
Applied interest rate	0.75%	(7.01)	(0.75)%	7.85
Retirement age	1 Jahr	(1.22)	(1) Jahr	1.34
Increase in basis of assesment	0.25%	2.49	(0.25)%	(2.41)
Staff fluctuation	1.00%	(4.49)	(1.00)%	1.18
<hr/>				
31 December 2012	+ /(-) Parameter Change	Percentage Effect on DBO	+ /(-) Parameter Change	Percentage Effect on DBO
<i>Provisions for post-employment benefits</i>				
Applied interest rate	0.50%	(7.90)	(0.50)%	9.00
Retirement age	1 Jahr	(1.20)	(1) Jahr	2.90
Increase in basis of assesment	0.50%	9.00	(0.50)%	(7.90)
Remaining life expectancy	1 Jahr	5.00	(1) Jahr	(3.00)
<i>Provisions for termination benefits</i>				
Applied interest rate	0.50%	(5.00)	(0.50)%	5.50
Retirement age	1 Jahr	(1.20)	(1) Jahr	1.20
Increase in basis of assesment	0.50%	5.40	(0.50)%	(5.00)
Staff fluctuation	1.00%	(8.90)	(1.00)%	2.10

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

Years	2013	2012
Termination benefits	10.0	10.2
Post-employment benefits	17.9	16.5



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

€'000	<b>2013</b>	<b>2012</b>
Present value of the defined benefit obligations at 1 January	5,151	4,426
Obligations transferred without being recognized in the Income Statement	(11)	1
Service cost	555	291
Interest cost	152	192
Payments	(383)	(260)
Actuarial (gain) loss for the financial year	(145)	501
<b>Present value of the defined benefit obligations at 31 December</b>	<b>5,319</b>	<b>5,151</b>

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

€'000	<b>2014</b>
Post-employment benefits	339

Breakdown of expenditure on defined contribution plans:

€'000	<b>2013</b>	<b>2012</b>
<i>Expenditure on defined contribution plans</i>	<i>1,646</i>	<i>1,570</i>
Of which on defined contribution plans (pension fund)	1,043	1,000
Of which on staff benefit fund (Mitarbeitervorsorgekasse)	603	570

**Other provisions**

The other provisions changed as follows:

€'000	2013	2012
At 1 January	79,306	29,725
Added	26,697	64,921
Released	(9,476)	(4,960)
Used	(5,262)	(10,380)
<b>At 31 December</b>	<b>91,265</b>	<b>79,306</b>

The line item *Other provisions* includes provisions for guarantees in the amount of €18,067 thousand (year-end 2012: €11,747 thousand), provisions for restructuring costs in the amount of €4,532 thousand (year-end 2012: €0 thousand) and provisions for damage events and contingent liabilities

arising from potential damages claims in the amount of €56,357 thousand (year-end 2012: €53,814 thousand) resulting from customer complaints (also including pending court cases).

**(27) Subordinated dept capital**

€'000	2013	2012
<i>Measured at amortized cost</i>	<b>984,890</b>	<b>663,836</b>
Subordinated liabilities	700,916	353,004
Supplementary capital	283,973	310,832
<i>Designated as at fair value through profit or loss</i>	<b>44,329</b>	<b>43,770</b>
Subordinated liabilities	44,329	43,770
<b>Total</b>	<b>1,029,219</b>	<b>707,606</b>

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

This applied to subordinated liabilities measured in the same way as interest rate derivative financial instruments using the fair value option. Negative €524 thousand of the change in the fair values of these liabilities (year-end 2012: €953 thousand) – or, accumulatively, €1,966 thousand (year-end 2012: €2,490 thousand) – was attributable to changes in the default

risk in the year under review. The carrying amount of such liabilities was €11,255 thousand lower than the contractually agreed repayment amount (year-end 2012: €11,800 thousand). With the exception of liabilities hedged against the exposure to interest rate risks in a fair value hedge, the other liabilities accounted for here were measured at amortized cost.

**(28) Equity**

€'000	<b>2013</b>	<b>2012</b>
<i>Attributable to Equity Holders of the Parent</i>	<b>2,354,871</b>	<b>2,421,659</b>
Subscribed capital	214,520	214,520
Non-voting non-ownership 'participation' capital (Partizipationskapital)	76,500	76,500
Capital reserves	432,688	432,688
Retained earnings	1,631,163	1,697,951
<i>Minority interests</i>	<b>55</b>	<b>56</b>
<b>Total</b>	<b>2,354,925</b>	<b>2,421,715</b>

In accordance with a decision made at the Annual General Meeting held on 3 May 2013, the Managing Board was authorized, subject to the Supervisory Board's approval, to raise the company's share capital in the period up to and including 3 May 2018 by up to €25,000 thousand through the issuance of up to 250,000 new, registered no-par shares. In 2008, *Raiffeisenlandesbank NÖ-Wien AG* issued 765,000 registered non-voting non-ownership 'participation' certificates (*Partizipationsschein*) within the meaning of § 23 Abs. 3 Z. 8. in conjunction with *Abs. 4* und *Abs. 5 BWG*. One participation certificate has a nominal value of €100.00. The non-voting non-ownership 'participation' capital (*Partizipationskapital*) has been furnished for the duration of the enterprise and rights of ordinary and extraordinary termination have been waived. Earnings from non-voting non-ownership 'participation' capital are profit-dependent. The terms of the non-voting non-ownership 'participation' capital were amended in 2012 in line with the requirements of the Basel III regime regarding the calculation of own funds. Because of the amendments to the terms of the non-voting non-ownership 'participation' certificates and the profit-transfer agreement, no direct distribution on the non-voting non-ownership 'participation' capital took place with respect to the year 2013 (2012: 0).

The Annual General Meeting on 7 May 2010 voted to authorize the Managing Board to issue non-voting non-ownership 'participation' capital (*Partizipationskapital*) with-

in the meaning of § 23 Abs. 4 *BWG* within a period of five years up to a nominal total of €300 million.

Because of the profit-transfer agreement in place with *Raiffeisen-Holding NÖ-Wien*, the principal shareholder of *Raiffeisenlandesbank NÖ-Wien AG*, profit within the meaning of UGB/BWG (Austrian enterprises code and Austrian banking act) remaining after transfers to the contractually provided reserves was transferred to and assumed by *Raiffeisen-Holding NÖ-Wien*. The transferable amount was booked as a liability. In conformity with the profit-transfer agreement, the minority shareholders of *Raiffeisenlandesbank NÖ-Wien AG* and the holders of its non-voting non-ownership 'participation' certificates received a compensatory payment from *Raiffeisen-Holding NÖ-Wien*.

The Raiffeisenlandesbank NÖ-Wien Group's equity management activities were an important element of its medium-term planning, which is regularly reviewed and updated. The goal of its equity management activities was to ensure a sustained supply of own funds so as to give timely support to the Raiffeisenlandesbank NÖ-Wien Group's growth. The definition of equity was based on the regulatory own funds requirements (see note (48) *Regulatory own funds*). Pursuant to § 39a *BWG*, it was moreover one of the legal duties of care imposed on banks to ensure that they had sufficient equity to protect themselves against all material operational and other banking risks (see our remarks on overall bank management and risk-bearing capacity in note (29) *Risks arising from*

*financial instruments [Risk Report]*. The necessary adjustments for the changes brought about by the Basel III regime were carried out in 2013. In particular, adaptations in line with the reconfiguration of equity instruments had to be put into effect. A new focus was placed on the development of own funds at the level of *RBG NÖ-Wien* because *Raiffeisenlandesbank NÖ-Wien AG* itself is a major driver of own

funds ratios at that level. The IPS (Institutional Protection Scheme) provided the basis for optimizing *RBG NÖ-Wien's* own fund ratios. The legislative minimum own funds requirements as set out in BWG were adhered to throughout the financial year both at the bank level and at the level of the credit institution group (*Kreditinstitutsgruppe*) of *Raiffeisen-Holding NÖ-Wien*.

## Notes on Financial Instruments

### *(29) Risks arising from financial instruments (Risk Report)*

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

#### Risk Policy

In view of the volatile economic environment, the significance of overall bank risk management and, in particular, a bank's ability to identify and measure all material risks and monitor and manage them close to real time has increased significantly over recent years. Consequently, *Raiffeisenlandesbank NÖ-Wien AG* sees risk management as an active corporate function and as an integral part of overall bank management. The primary focus is on optimizing the relationship between risk and return in order to manage opportunities and risks rather than manage just risks.

In the middle of 2013, *Raiffeisenlandesbank NÖ-Wien AG* and *Raiffeisen-Holding NÖ-Wien* shifted the focus of risk management to the group perspective. This was done by interlacing the risk management strands at both of those individual institutions to create one integrated group risk management framework.

The amalgamation of the risk management organization involved having one Managing Board member responsible for risk and one risk director for both banks and creating the relevant departments. The Group Risk Management and Overall Bank Risk Management departments – which are Head Office departments – and Overall Group Risk in the Overall Bank Risk Department thus served *Raiffeisen-Holding NÖ-Wien* and *Raiffeisenlandesbank NÖ-Wien*, respectively.

Organizationally, these units were still separated from the front-office units, guaranteeing independent and effective risk management. The integrated risk management system for the credit institution group (*Kreditinstitutsgruppe*) and, therefore, by necessity, for every individual bank, was based on the risk policy established by the management of *Raiffeisen-Holding*

*NÖ-Wien* and the Managing Board of *Raiffeisenlandesbank NÖ-Wien* together with its accompanying strategies. Among other things, the following should be seen as aspects of the risk policy:

- risk management principles
- risk strategy and risk appetite
- limits for every relevant risk
- risk monitoring procedures

#### Disclosure

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

#### Risk Management

*Raiffeisenlandesbank NÖ-Wien AG* employed well-established methods of risk management and risk controlling to ensure the bank's profitability and security in the interests of its customers and its owners. The risk management system in the credit institution group was based on clearly defined responsibilities and the separation of front-office functions from risk management functions. The Group Risk Management and Overall Bank Risk departments – which are independent Head Office departments – and various committees support the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* and the management of *Raiffeisen-Holding NÖ-Wien* in the performance of their risk-related tasks. Until the end of 2013, the Group Risk Committee (*Konzernrisikorunde*) was the body in which the risk situation of the credit institution group and that of the individual institutions was analyzed and strategic risk decisions were made.

At the beginning of 2014, this committee was replaced by the Overall Bank Management Committee (*Gesamtbanksteuerungsrunde*). This too is a committee that spans the credit institution group. Besides the management of *Raiffeisen-Holding NÖ-Wien* and the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG*, this committee consists of the heads of the Head Office departments Group Man-

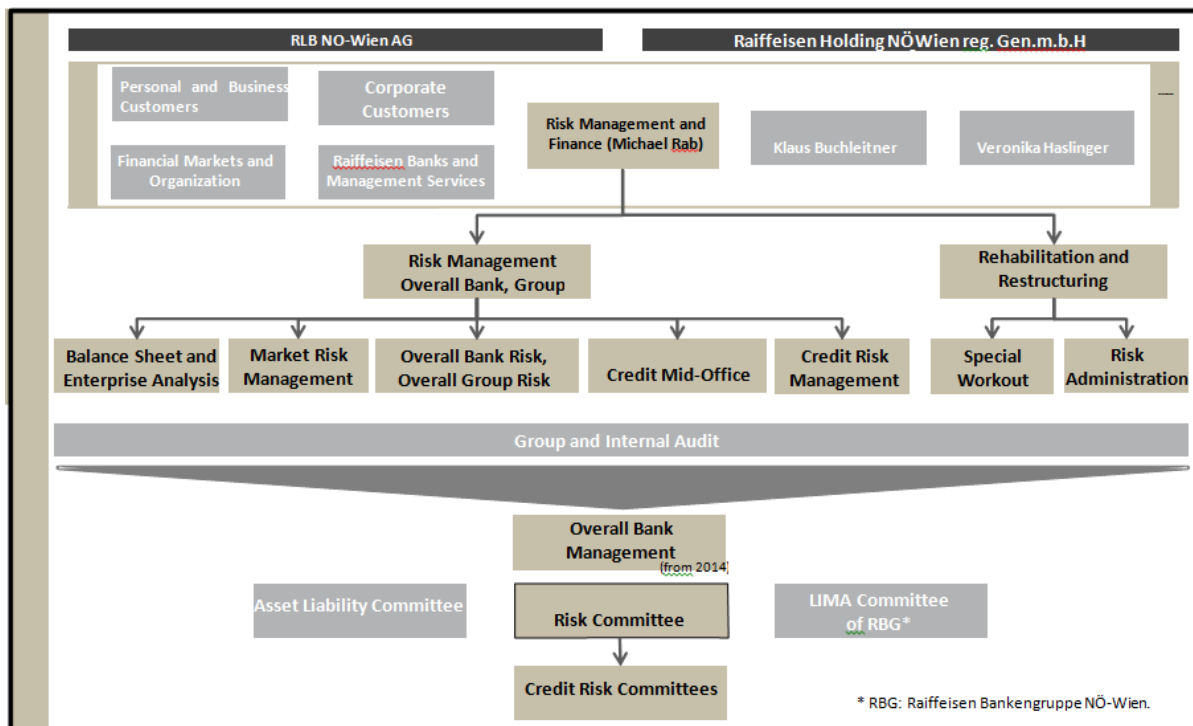
agement and Overall Bank Management and Finance and the Risk Management Department. The Overall Bank Management Committee meets once a quarter.

The Risk Committee (*Risikorunde*) communicated the Group's risk position and the decisions made by the Overall Bank Management Committee to the heads of the front office departments, Rehabilitation and Restructuring and Internal and Group Audit at Head Office.

In conformity with the legal requirements (BWG and CRR), the credit institution group and, therefore, both of the individual institutions, have set themselves the goal of ensuring the bank's profitability and security in the interests of its customers and its owners through the use of modern and efficient risk management and risk controlling methods.

Risk management at the Raiffeisen-Holding NÖ-Wien Group made use of regular analyses of risk-bearing capacities to provide the basis for an integrated overall bank management process (i.e. tying together earnings and risk management in every business segment). All relevant risks were captured and subjected to a strategically optimized management process that took account of the bank's own funds and employed a suitable system of limits. The credit institution group's organizational processes and procedures were based on the requirements of the Internal Capital Adequacy Assessment Process (ICAAP). Since 2008, *Raiffeisenlandesbank NÖ-Wien AG* has been using the standardized approach to calculate its regulatory own funds requirement (in accordance with § 22a BWG).

The organizational structure of the risk management units in the Risk Management and Finance Division was amended as of 1 December 2013:



Risk analyses were carried out in the responsible sub-departments of these Head Office departments within the scope of the defined risk controlling process. It is where all the relevant risk analysis activities such as credit, market, liquidity, equity investment and operational risk analysis converged. The Rehabilitation and Restructuring Department – a Head Office department – with its sub-departments Special Workout and Risk Administration was incorporated into the Risk Management and Finance Managing Board division as a second organizational tier of the risk controlling process.

The bank's risk appetite was defined by way of the overall bank risk limits set by the Managing Board. The Overall Group Risk Department within Overall Bank Risk continuously monitored risks and adherence to limits at the overall bank level on the basis of the results of risk-bearing capacity analysis.

All the tasks, bodies, reports, procedures and organizational units involved in the risk management process are defined and described in detail in the Raiffeisen-Holding NÖ-Wien Group's ICAAP (Internal Capital Adequacy Assessment Process) Manual. It is updated annually by the Overall Group Risk Department within Overall Bank Risk and adopted by the Managing Board of Raiffeisenlandesbank NÖ-Wien AG and the management of Raiffeisen-Holding NÖ-Wien. During this process, the relevance of all the every risks of the credit institution group was analyzed and assessed within the scope of a risk assessment process and to the results were transferred to a Group-wide risk map. The risk map was part of the ICAAP Manual. This ensured that a coordinated process for capturing, measuring, limiting, reporting and documenting risks existed within the Raiffeisen-Holding NÖ-Wien Group.

As integral parts of the risk controlling and risk management system, Internal Audit at Raiffeisenlandesbank NÖ-Wien AG and Internal and Group Audit at Raiffeisen-Holding NÖ-Wien audited the effectiveness of internal control systems and of workflows, processes and internal controls thereof at Raiffeisenlandesbank NÖ-Wien AG.

#### Management of Overall Bank Risk and Risk-bearing Capacity

The central analysis of our overall bank risk situation inclusive of all the relevant risks took place on the basis of the risk bearing capacity analysis. It was the responsibility of the Overall Group Risk Department within Overall Bank Risk.

Mirroring Raiffeisenlandesbank NÖ-Wien AG's business strategy, the following of the bank's risk categories were identified as material risks:

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

Both risk covering potential and the risks were presented in the light of two scenarios. One was a going concern scenario (extreme case: confidence interval of 99 per cent) designed to ensure the enterprise's continued existence. The other was a going concern scenario (liquidation case) that conformed to regulatory requirements. After allowing for all risks and applying a confidence interval of 99.9 per cent, it was designed to guarantee that sufficient capital would be available to protect our creditors. This scenario has also been the management scenario at *Raiffeisenlandesbank NÖ-Wien AG* since 2013.

The risk bearing capacity analysis and the analysis of utilization of the limits system that was coupled to the risk bearing capacity analysis (risk appetite) constituted both the source of information and the decision making basis for the Managing Board as it managed risk activities within the context of ensuring the enterprise's continued existence and, at the same time, as it exploited profit potential. In other words, risk-bearing capacity analysis was the starting point for our risk policy, which limits risk activities to a level that is appropriate for the bank.

For a number of years, in line with industry standards, *Raiffeisenlandesbank NÖ-Wien AG*'s risk management activities have included stress tests carried out both at the level of individual risk categories and at the level of overall bank risk. Based on macroeconomic parameters, we analyzed both 'bad case' and 'worst case' scenarios for all the relevant risk categories during the bank's overall stress testing process and simulated their impact on the bank's equity ratios. Measures to mitigate and limit risks were derived from the stress test analyses on an ongoing basis.

#### Credit Risk

*Raiffeisenlandesbank NÖ-Wien AG* defined credit risk as the risk that a borrower might fail to meet contractual financial obligations or might fail to meet them in full.

Credit risks arising from loans and advances to other banks, corporate customers, provinces and personal and business banking customers made up *Raiffeisenlandesbank NÖ-Wien AG*'s biggest risk category. On the one hand, they were the result of traditional lending operations (loan losses and the consequent management of the loan exposure if there was a decline in creditworthiness). On the other, they resulted from trading in and acquiring market risk instruments (counterparty default risk in the case of derivatives).

Credit risk also includes the country or transfer risk caused by countries in difficulties and counterparty risk arising from derivative transactions. Country and transfer risk involve a debtor being unable to discharge an obligation because of a state's sovereign actions. Transfer risk also includes the risk that debts of a country in financial difficulties might be re-scheduled (i.e. deferred for several years) under an intergovernmental agreement. This risk was limited separately.

*Raiffeisenlandesbank NÖ-Wien AG* limited counterparty default risk arising from derivative transactions by establishing individual limits and took account of it in its loan portfolio calculations (credit value at risk) during the risk-bearing capacity analysis process. The risk associated with these transactions was minimized by netting (offsetting receivables and payables). A global limits system is in place to effect the allocation of economic capital. It took account of *Raiffeisen-*

Both instruments underwent significant further development during the financial year ended. Firstly, the risk bearing capacity analysis process was standardized across both institutions and the *Raiffeisen-Holding NÖ-Wien* credit institution group and broadened to include the requirements contained in OeNB's supplementary ICAAP guidance. Secondly, the limits system was redesigned. For the first time, the credit institution groups are now using covering assets as the starting point for setting limits at the level of the individual institution and, therefore, achieving a top-down approach during the allocation of economic capital.

*landesbank NÖ-Wien AG*'s risk-bearing capacity (and all risks it entailed). Risk limits were set at the level of each segment and category of risk. A detailed system of lines and limits was in use within the scope of our credit operations.

During the strategic credit management process, the Managing Board formulated and implemented all of the bank's strategic goals and actions according to the risks concerned. This was an integral part of our enterprise and segmental strategies and interacted with all the (sub-)strategies. Stipulation of the segments within the bank where credit could be granted and specification of the products that could be used to this end also took place here.

Credit risk was the most important category of risk at *Raiffeisenlandesbank NÖ-Wien AG*. In the course of the risk management process, accompanying risk management by the Head Office department Overall Bank Risk Management was carried out by its Credit Mid-Office, Credit Risk Management and Balance Sheet and Enterprise Analysis departments both before a loan was granted and during the term of the loan, and if the customer exposure needed support, it was carried out by the Head Office department Rehabilitation and Restructuring through its Special Workout and Risk Administration departments. The principal task of Risk Management was to provide support and control during the initial estimation, measurement and management of the credit risk and to carry out rehabilitation and restructuring and, under certain circumstances, liquidate the troubled exposure.



Credit risks at *Raiffeisenlandesbank NÖ-Wien AG* were monitored and analyzed both loan-by-loan for each customer and on a portfolio basis. Credit risk management processes and credit decisions were based on the strategic principles governing credit checks, the consideration of sub-risks (including consideration of country risk, special consideration of banking risk), collateral and return and risk requirements approved by the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG*.

*Raiffeisenlandesbank NÖ-Wien AG* had an extensive credit limits system in place at the overall bank level and spanning banks, countries and corporate customers. When looking at individual exposures, care was taken to ensure that the bank's approval ceilings were kept below regulatory limits. This means that exposures greater than or equal to 7.5 per cent of *Raiffeisenlandesbank NÖ-Wien AG*'s own funds were already submitted to the Supervisory Board for approval even though this was not a legislative requirement.

The risk content of an exposure was captured using an extensive rating system. Various model variants were employed, depending on the requirements in the customer segment in question. To measure risk, each customer was assigned to one of nine performing credit quality classes using these rating and scoring models. Loan defaults were classified in accordance with the guidance provided by the CRR, dividing them into three classes. This was in conformity with the requirement of Basel II and Basel III.

The credit process and the involvement of experts from the Overall Bank Risk Management and Market Services (Assets and Liabilities) departments at Head Office encompassed every necessary kind of monitoring measure. Monitoring measures were built directly or indirectly into the workflows requiring monitoring. Before a loan involving a risky exposure was approved, the Credit Risk Management and Balance Sheet and Enterprise Analysis departments were involved in the exposure assessment procedure as part of the credit risk management process. The special scrutiny of exposures to banks and exposures involving country risk continued to be carried out by Country and Bank Analysis, which is an organ-

izational unit. Since 1 June 2013, that unit has been a part of the Credit Risk Management Department.

Alongside the determination of internal ratings during the loan approval process, collateral taken was also valued and checked on the basis of a predetermined collateral assessment catalogue containing defined risk charges. This catalogue was regularly reviewed and revised. Collateral was measured within the scope of a separate collateral management system and continuously reassessed. Collateral management in connection with derivatives transactions was carried out on a daily basis by the Financial Services Department.

The periodic updating of ratings and collateral evaluations also included regularly recognizing any impairment allowances that were required. Direct loan receivables that were highly unlikely to be recoverable were revalued, taking assigned collateral into account, and provisions were created for off-balance-sheet receivables. *Raiffeisenlandesbank NÖ-Wien AG* used a default database. The default database recorded all instances of default and all costs and recovered amounts. *Raiffeisenlandesbank NÖ-Wien AG* used the Basel II default definition and applied it to all customers and customer segments (the customer view). Special crisis cases were handled and processed as the occasion arose by special problem exposure committees.

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

The expected loss was calculated on the basis of validated risk parameters. It provided the basis for the standard risk costs used for precalculation purposes and follow-up calculations (management performance calculations). This ensured pricing in line with the risks.

The potential unexpected loss (basis for assessment of economic capital) arising from credit risk was measured and managed at the overall portfolio model using an internal portfolio model. *Raiffeisenlandesbank NÖ-Wien AG* calcu-

lated its credit value at risk with a migration model using Monte Carlo simulations. The credit value at risk was brought into the bank's extreme case and liquidation case risk-bearing capacity analysis scenarios (99 per cent and 99.9 per cent confidence interval, respectively). When calculating credit value at risk within the scope of risk-bearing capacity analysis, *Raiffeisenlandesbank NÖ-Wien AG* based its calculations on a risk horizon of one year.

- loans and advances to customers
- loans and advances to other banks
- fixed interest securities in the trading book, in the portfolio of investments designated at fair value through profit or loss, in the available for sale portfolio and in the held to maturity portfolio
- derivatives
- contingent liabilities

The credit exposure presented below was derived from the following balance sheet items:

The credit exposure is the gross amount without allowing for impairment allowances, collateral or the effects of netting.

Balance Sheet Item €'000	2013		2012	
	Balance Sheet Item	Credit Exposure	Balance Sheet Item	Credit Exposure
Cash and balances with the central bank	404,646	0	679,031	0
Loans and advances to other banks	8,575,731	8,575,731	10,042,074	10,042,074
Loans and advances to customers	11,004,581	11,004,581	10,465,262	10,465,262
Trading assets	300,509	300,509	521,400	520,043
Securities and equity investments	5,197,798	5,132,578	6,287,562	6,242,096
Intangible assets	7,438	0	8,780	0
Other assets	1,340,577	1,117,040	1,977,729	1,801,784
Contingent liabilities	1,163,228	1,163,228	1,316,152	1,303,727
<b>Total</b>	<b>27,994,507</b>	<b>27,293,667</b>	<b>31,297,990</b>	<b>30,374,986</b>

The following table presents *Raiffeisenlandesbank NÖ-Wien AG*'s credit exposures by internal rating, collateral after internal haircuts and item-by-item allowances for impairment in €'000s:

Internal Rating		2013	%	Collateral	Item-by-item Allowances for Impairment	2012	%	Collateral	Item-by-item Allowances for Impairment
0.5	No risk	2,890,416	10.6	164,476	0	2,308,433	7.6	86,856	0
1	Excellent credit standing	2,305,009	8.4	699,119	0	2,034,866	6.7	485,324	0
1.5	Very good credit standing	13,547,536	49.6	1,515,080	0	15,969,255	52.6	2,636,996	0
2	Good credit standing	3,652,620	13.4	1,497,085	0	3,919,535	12.9	1,450,328	0
2.5	Average credit standing	1,911,534	7.0	1,016,596	0	2,147,732	7.1	988,348	0
3	Mediocre credit standing	1,578,391	5.8	817,573	0	1,997,525	6.6	1,031,981	0
3.5	Weak credit standing	491,526	1.8	344,301	0	600,009	2.0	447,287	0
4	Very weak credit standing	237,163	0.9	169,311	0	285,346	0.9	202,400	0
4.5	At risk	14,659	0.1	11,339	0	28,844	0.1	20,609	0
5	Default	29,044	0.1	21,387	797	36,861	0.1	16,726	15
5.1	Default	443,981	1.6	133,244	209,455	516,787	1.7	121,755	189,247
5.2	Default	96,222	0.4	18,122	62,134	157,751	0.5	23,478	107,503
	Unrated	95,566	0.4	39,895	0	372,042	1.2	30,128	0
	<b>Total</b>	<b>27,293,667</b>	<b>100.0</b>	<b>6,447,528</b>	<b>272,386</b>	<b>30,374,986</b>	<b>100.0</b>	<b>7,542,216</b>	<b>296,765</b>

The loan portfolio was reduced from €30.4 billion to €27.3 billion. This was due to a reduction of securities balances and a fall in loans and advances to other banks. The portfolio impairment charge (IBNR) for 2013 came to €25,942 thousand, compared with €21,913 thousand in 2012. Collateral values are presented on the basis of the bank's

internal collateral approaches and capped at the amounts receivable.

All customers classified as customers in default according to the CRR definition were in the three default classes, namely 5.0, 5.1 and 5.2.

The table below presents *Raiffeisenlandesbank NÖ-Wien AG*'s credit exposure minus impaired and past-due customer accounts (in thousands of euros):

Internal Rating	2013	%	2012	%
0.5 No risk	2,890,416	10.8	2,308,433	7.7
1 Excellent credit standing	2,305,009	8.6	2,034,867	6.8
1.5 Very good credit standing	13,547,536	50.5	15,969,255	53.6
2 Good credit standing	3,652,620	13.6	3,919,535	13.2
2.5 Average credit standing	1,911,534	7.1	2,147,732	7.2
3 Mediocre credit standing	1,578,391	5.9	1,997,525	6.7
3.5 Weak credit standing	491,526	1.8	600,009	2.0
4 Very weak credit standing	237,163	0.9	285,346	1.0
4.5 At risk	14,659	0.1	28,844	0.1
5 Default	11,914	0.0	14,266	0.0
5.1 Default	67,463	0.3	106,952	0.4
5.2 Default	18,140	0.1	14,153	0.0
Unrated	95,566	0.4	372,042	1.2
<b>Total</b>	<b>26,821,937</b>	<b>100.0</b>	<b>29,798,959</b>	<b>100.0</b>

The following table presents *Raiffeisenlandesbank NÖ-Wien AG*'s past due credit exposures (in thousands of euros):

Internal Rating	2013	%	No translation_S icherheiten	2012	%	No translation_S icherheiten
0.5 No risk	0	0.0	0	0	0.0	0
1 Excellent credit standing	0	0.0	0	0	0.0	0
1.5 Very good credit standing	0	0.0	0	0	0.0	0
2 Good credit standing	0	0.0	0	0	0.0	0
2.5 Average credit standing	0	0.0	0	0	0.0	0
3 Mediocre credit standing	0	0.0	0	0	0.0	0
3.5 Weak credit standing	0	0.0	0	0	0.0	0
4 Very weak credit standing	0	0.0	0	0	0.0	0
4.5 At risk	0	0.0	0	0	0.0	0
5 Default	16,182	28.6	12,072	22,486	26.3	8,201
5.1 Default	30,969	54.8	26,128	30,061	35.2	21,546
5.2 Default	9,350	16.5	8,981	32,832	38.5	20,990
Unrated	0	0.0	0	0	0	0
<b>Total</b>	<b>56,501</b>	<b>100.0</b>	<b>47,181</b>	<b>85,379</b>	<b>100.0</b>	<b>50,737</b>

Impairment losses were not recognized on past due credit exposures totalling €23,761 thousand in the 2013 financial year (2012: €27,262 thousand). The age structure of the past due customer balances (90 days) on which impairment losses had not been recognized is presented below:

Past Due	2013	%	2012	%
up to 30 days	4,558	19.2	12,713	46.6
31 to 60 days	2,194	9.2	2,295	8.4
61 to 90 days	506	2.1	3,995	14.7
Over 90 days	16,503	69.5	8,259	30.3
<b>Total</b>	<b>23,761</b>	<b>100.0</b>	<b>27,262</b>	<b>100.0</b>

The proportion of non-performing loans (applying the CRR default definition) in the balance sheet line items *Loans and advances to customers* and *Loans and advances to other banks* was as follows:

€'000	2013 Loans and Advances to Customers	2012 Loans and Advances to Customers	2013 Loans and Advances to Other Banks	2012 Loans and Advances to Other Banks	2013 Total	2012 Total
Credit Exposure	11,004,581	10,465,262	8,575,731	10,042,074	19,580,312	20,507,336
Non-performing loans (NPL)	522,806	603,717	100	625	522,906	604,342
Item-by-item allowances for impairment	272,285	296,140	100	625	272,385	296,765
Collateral	166,012	153,921	0	0	166,012	153,921
NPL ratio	4.8%	5.8%	0.0%	0.0%	2.7%	2.9%
Coverage ratio 1	52.1%	49.1%	100.0%	100.0%	52.1%	49.1%
Coverage ratio 2	83.8%	74.5%	100.0%	100.0%	83.8%	74.6%

This translates into an NPL ratio of 4.8 per cent for loans and advances to customers at the end of 2013 (year-end 2012: 5.8 per cent) and of 2.7 per cent for all loans and advances (customer and other banks) (year-end 2012: 2.9 per cent). The Coverage Ratio 1 is defined as the ratio of impaired NPLs (item-by-item allowances) to total NPLs, and Coverage Ratio 2 is defined as the ratio of impaired NPLs (item-by-item allowances) and collateral (after haircuts) to total NPLs.

*Raiffeisenlandesbank NÖ-Wien AG* strove to detect customers with payment difficulties early in order to restructure

loans with a positive outlook. Restructuring measures consist primarily of changes to duration and deferments. Restructured receivables were deemed to be 'performing' if the bank did not suffer any loss. If debt conversion measures led to forbearance, the borrower was classified as being in default ('non-performing'). At the moment, *Raiffeisenlandesbank NÖ-Wien AG* is working on putting into effect the requirements that result from the new EBA standard *On Supervisory reporting on forbearance and non-performing exposures*

under article 99(4) of Regulation (EU) No. 575/2013.

Broken down by Basel II customer type and region, non-performing loans broke down as follows:

€'000	2013	2012 Austria	2013	2012 Centrope	2013	2012 Rest of EU	2013	2012 Other
<i>Financial Institutions</i>	7,815,700	8,945,225	7,342	8,184	595,735	998,283	141,313	201,686
Non-performing	0	2,900	0	0	0	510	100	115
Impairment allowance	0	1,425	0	0	0	510	100	115
<i>Corporate Customer</i>	7,093,154	6,891,852	490,458	515,461	493,839	575,724	269,911	273,926
Non-performing	340,890	404,880	7,388	0	20,521	38,091	8,155	0
Impairment allowance	164,759	186,955	474	0	13,155	19,823	4,411	0
<i>Retail Customers</i>	1,599,045	1,575,247	5,069	4,156	12,327	13,559	17,657	17,104
Non-performing	126,481	140,905	4	110	1,355	421	764	890
Impairment allowance	86,190	86,401	3	3	1,215	188	654	814
<i>Sovereigns</i>	1,038,597	486,809	0	0	0	0	165	121
Non-performing	17,247	15,520	0	0	0	0	0	0
Impairment allowance	1,425	532	0	0	0	0	0	0

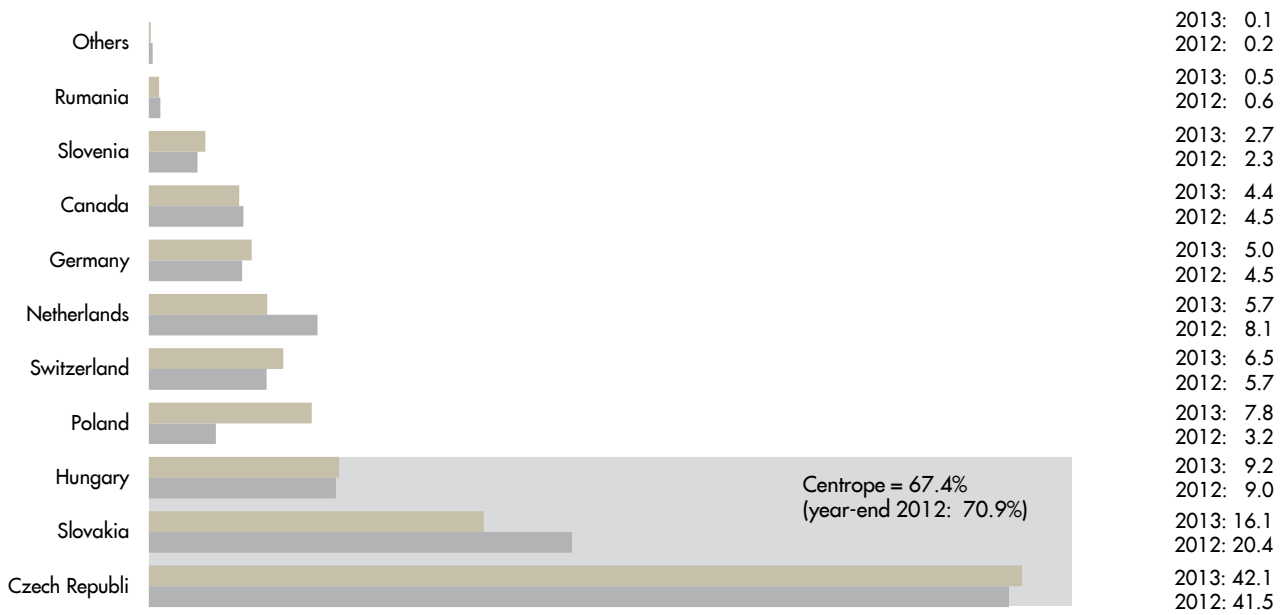
At the end of 2013, the proportion of total loans in *Raiffeisenlandesbank NÖ-Wien AG*'s portfolio that consisted of real estate loans was high, at €2,702,858 thousand (year-end 2012: €3,188,740 thousand).

Category €'000	2013				2012			
	Austria	%	Abroad	%	Austria	%	Abroad	%
Lofts and loft developments	17,708	0.8	2,439	0.4	19,719	0.8	2,450	0.4
Energy	0	0.0	0	0.0	45,565	1.8	0	0.0
Unsubsidized residential construction	393,045	18.5	2,337	0.4	504,667	20.2	3,040	0.4
Leisure and sport	590	0.0	0	0.0	3,624	0.2	0	0.0
Subsidized residential construction	533,748	25.1	0	0.0	540,927	21.6	0	0.0
Wholesaling and retailing premises	206,202	9.7	160,926	27.9	322,672	12.9	221,679	32.4
Hotel and catering	164,634	7.7	77,364	13.4	192,998	7.7	100,774	14.7
Motor vehicles	0	0.0	0	0.0	2,372	0.1	0	0.0
Agriculture and forestry	8,211	0.4	0	0.0	8,574	0.3	0	0.0
Public sector facilities	76,243	3.6	0	0.0	76,349	3.0	0	0.0
Other residential property	42,882	2.0	343	0.1	44,708	1.8	852	0.1
Welfare	89,199	4.2	0	0.0	72,964	2.9	2,000	0.3
Special real estate	101,425	4.8	0	0.0	118,135	4.7	0	0.0
Standard commercial real estate	278,868	13.1	333,814	57.8	347,314	13.9	353,001	51.5
Apartment buildings	212,757	10.0	122	0.0	203,239	8.1	1,118	0.2
Other	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>2,125,512</b>	<b>100.0</b>	<b>577,345</b>	<b>100.0</b>	<b>2,503,827</b>	<b>100.0</b>	<b>684,914</b>	<b>100.0</b>

At year-end 2013, most of this real estate loan exposure, namely 78.6 per cent, was Austrian (year-end 2012: 78.5 per cent). Just 21.4 per cent of the real estate loan portfolio was foreign (year-end 2012: 21.5 per cent). A breakdown of the foreign real estate loan exposure by country shows a strong predominance of the *Centropo* region.

**Real Estate Loans**

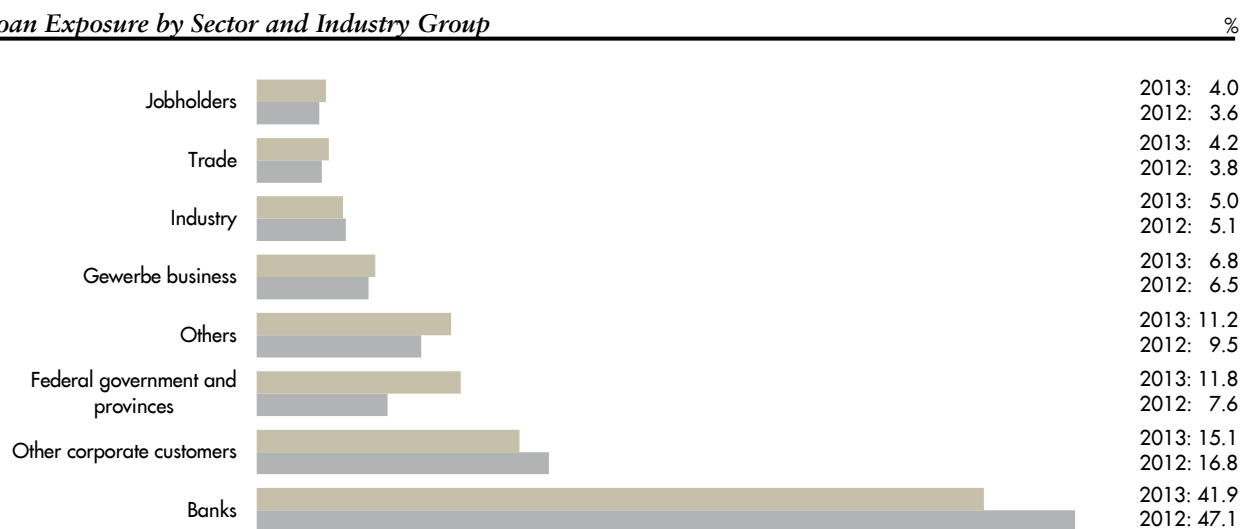
%





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

*Loan Exposure by Sector and Industry Group*

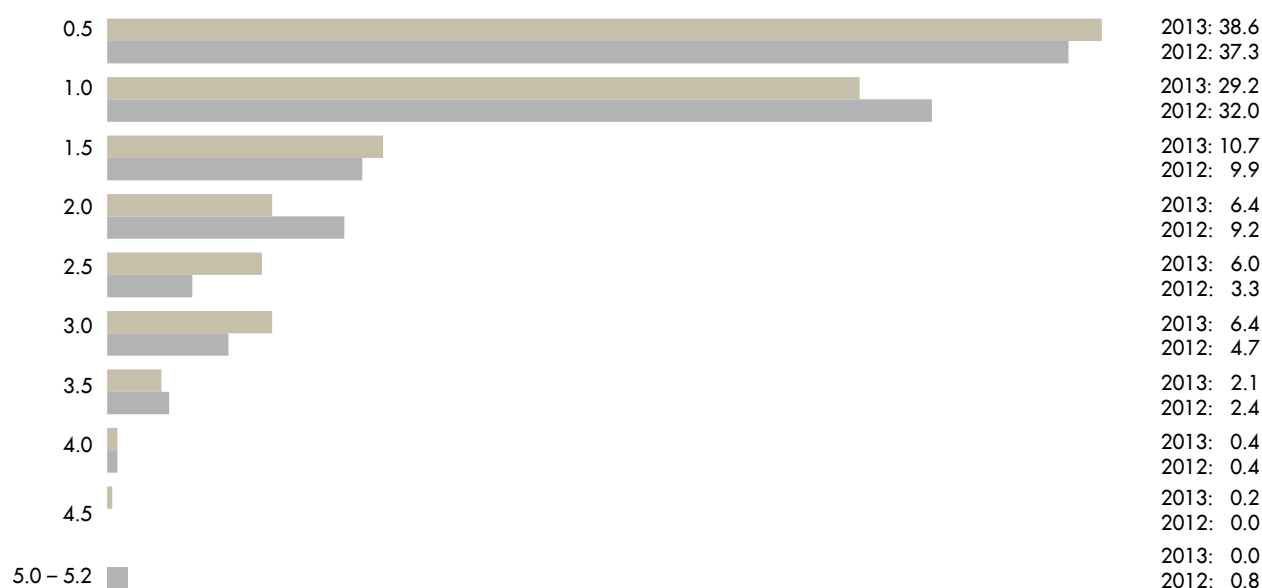


### Country Risk

The chart below presents a percentage breakdown of country limits by internal rating in the 2013 financial year compared with 2012:

#### *Distribution of Country Limits by Internal Rating*

%



Risk concentrations at *Raiffeisenlandesbank NÖ-Wien AG* were also monitored within the scope of country risk measurements and limited by way of special country limits. At the end of 2013, 91.0 per cent (year-end 2012: 91.7 per cent) of the approved country limits were in investment grade classes and a total of 78.6 per cent (year-end 2012: 79.0 per cent) were assigned to one of the three best rating classes (0.5 to 1.5).

*Raiffeisenlandesbank NÖ-Wien AG* reacted to the economic changes in Europe in good time by massively reducing country limits and completely suspending some lines. In addition, at the beginning of May 2010, it suspended all Greek, Portuguese, Spanish and Irish issuers' lines.

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

€'000									
	Held for Trading	Available for Sale	Held to Maturity	2013 Fair Value Option	Held for Trading	Available for Sale	Held to Maturity	2012 Fair Value Option	
Austria	232	915,705	58,002	64,659	0	842,312	73,764	39,837	
France	0	208,099	0	0	0	211,444	0	0	
Italy	0	53,713	104,729	0	0	51,816	105,355	0	
Hungary	0	0	0	0	0	0	15,601	3,120	
Portugal	0	14,601	0	0	0	16,743	0	0	

There were no hidden liabilities (the effect of impairments on profit in the Income Statement) (year-end 2012: negative €1.1 million) associated with public sector debtors (sovereign debt risk) in Portugal und Hungary. This was in respect of debts that had a carrying amount of €14.6 million (year-end 2012: €35.5 million). Impairment charges (impairment allowances net of write-backs) in the amount of €1.2 million (2012: negative €14.6 million) were recognized in respect of available-for-sale Portuguese government bonds. No impairment allowances were recognized for held-to-maturity securities during the financial year (2012: €0.0 million), and no impairment charges were recognized in respect of securities

designated as at fair value through profit or loss during the financial year (2012: €0.6 million). *Raiffeisenlandesbank NÖ-Wien AG* had no sovereign debt exposure to the countries listed above resulting from credit default swaps (CDSs).

Attention was then paid to the regional distribution of country limits. The chart below depicts the percentage distributions of country limits in 2012 and 2013. *Best-rated non-EU countries* includes countries like the United States, Japan and Singapore that have Moody's ratings of at least Aa3.

**Regional Distribution of Country Limits**

%



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

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

**Collateral**

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

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

Category of Collateral	2013	%	2012	%
Land register	4,410,723	52.6	4,339,178	44.3
Securities	583,580	7.0	346,956	3.5
Savings, current and deposit accounts	408,286	4.9	560,624	5.7
Insurance	196,255	2.3	185,063	1.9
Other rights and claims	850,341	10.1	779,454	7.9
Guarantees	1,936,342	23.1	3,594,695	36.7
<b>Total</b>	<b>8,385,527</b>	<b>100.0</b>	<b>9,805,970</b>	<b>100.0</b>

Raiffeisenlandesbank NÖ-Wien did not directly purchase any collateral provided by customers. If collateral could not immediately be realized, the bank had subsidiaries through which such transactions took place. Any proceeds from the realization of collateral were netted off against the corresponding loan accounts when the collateral was realized. Prior to realization, the corresponding parts of a loan were treated as having been secured.

#### Market Risk

Market risk is the risk of a loss caused by movements in market prices and rates and parameters derived from them. *Raiffeisenlandesbank NÖ-Wien AG* differentiated between the following sub-risks:

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

Treasury – a Head Office department – at *Raiffeisenlandesbank NÖ-Wien AG* maintained a trading book in which interest rate and currency transactions were accounted for. Transactions in the medium-term to long-term range were put through the banking book. Market risk arising from customer operations was transferred to Treasury – where it was centrally managed – using the *transfer price method*.

Market risk in the trading and banking books was measured using the value at risk approach (VaR: the potential loss with a given probability over a specified holding period) as well as a number of gauges of sensitivity to, for instance, movements in foreign exchange rates and interest rates (delta, gamma, vega).

VaR in the trading book was calculated daily employing a historical simulation methodology with a one-sided confidence interval of 99 per cent and a holding period of one day. The only difference when calculating VaR in the banking book was the holding period of a year (250 trading days). A valuation system that is independent of the trading systems at the Treasury Head Office department (SAS Risk Management for Banking) is used.

The following table presents the VaR for *Raiffeisenlandesbank NÖ-Wien AG*'s overall market risk:

€'000	VaR at 31/12/2013	VaR at 31/12/2012
Currency risk	1,873	2,724
Interest rate risk	48,109	35,656
Price risk	32,096	12,698
Volatility risk	8,047	10,770
<b>Total</b>	<b>50,393</b>	<b>44,731</b>

The following assumptions and limitations need to be taken into account when analyzing VaR:

- VaR calculations were based on historical data in order to estimate future changes in market conditions. However, this is not enough to capture all possible future scenarios, especially if the market is affected by major changes like an increase in volatilities.
- VaR allows for correlations between individual risk factors, but they can be affected by difficult market conditions.
- The application of a confidence interval of 99 per cent when estimating possible losses means, inversely, that one cannot say anything about losses outside that confidence interval.
- VaR was based on a specific holding period, regardless of whether one was looking at the trading book or the banking book. One assumed that risks could be sold or hedged against during this holding period. This assumption cannot be verified for periods when markets are illiquid or turbulent.
- VaR was calculated on the basis of positions at the end of the day and therefore did not take any intraday positions into account.

The reliability of the VaR approach, which was based on historical data, was verified by daily backtesting and supplemented and continuously improved by weekly stress tests. In addition, the banking book underwent gap analysis, and basis

point values (BPVs) were calculated for each currency. Since VaR only quantifies the maximum possible loss of a portfolio under normal market conditions, a series of stress tests was used to look at the effects of extreme market movements that cannot be covered by the VaR methodology.

The stress tests served as a supplement to VaR calculations. During these tests, the portfolio was exposed to unlikely but plausible events. Such events can be expressed by a series of strong movements in the financial markets. The scenarios used reflected the assumptions made by OeNB, the rating agencies and *Raiffeisenlandesbank NÖ-Wien AG*.

They included:

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

*Raiffeisenlandesbank NÖ-Wien AG* thus employed a comprehensive risk management approach for the entirety of the trading and banking books. The management of market risks was applied consistently to all trading and banking books.

The Market Risk Management Department valued market positions, checked adherence to limits and analyzed and reported on the trading books on a daily basis. Similarly, market risk limits in the banking book were also monitored and analyzed on a daily basis.

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

- VaR limits
- sensitivity limits
- stop-loss limits

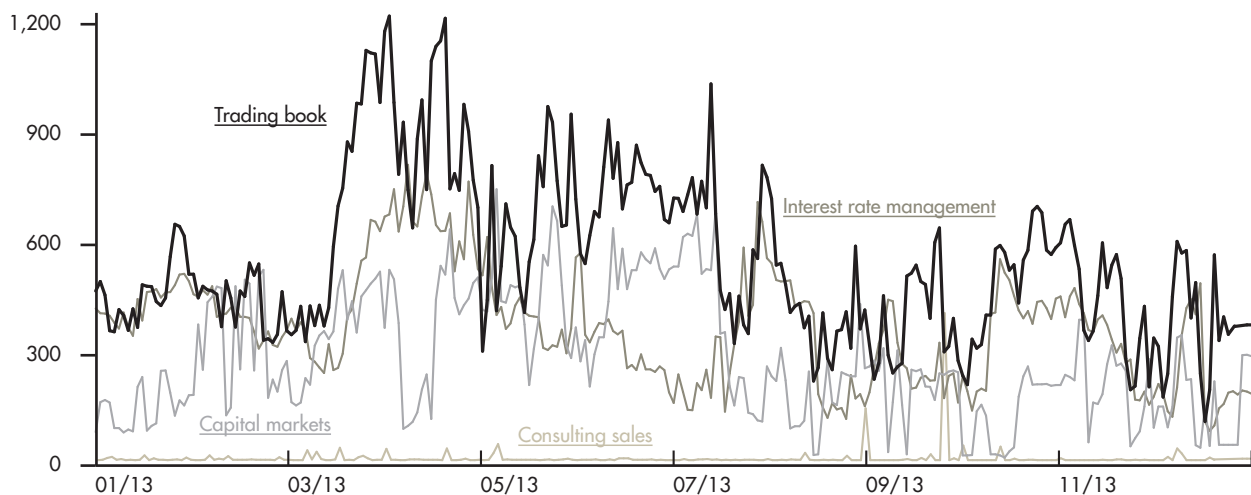
Besides these overall bank risk limits, there was also an extensive system of lines and limits for treasury transactions. It was made up of the Treasury Limits Framework and the Products, Services, Limits and Markets Catalogue. The Treasury Limits Framework was adopted by the Managing Board based on recommendations by the Overall Bank Risk Management Department at Head Office.

#### Market Risk in the Trading Book

The Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* and those responsible for portfolios received daily VaR reports containing information about current limits utilization in the trading book as a whole and in the individual sub-portfolios within the trading book.

#### Value at Risk in the Trading Book in 2013

€'000



The chart shows risk in the trading book and in the interest rate management, capital markets and consulting and sales sub-portfolios on a daily basis in terms of 99 per cent one-day value at risk.

VaR in the trading book is primarily driven by the Interest Rate Management and Capital Markets (Currency, Securities and Equities Trading) departments. Since it concentrated on trading as an intermediary, the Consulting and Sales Department did not contribute to risk.

As the chart above shows, VaR in the trading book stayed below the €2 million limit throughout the year. Towards the

end of the first quarter, risks were increased by swaption strategies in our interest rate trading activities and bond future positions in our securities trading activities. VaR utilization during the first quarter averaged 25 per cent. VaR utilization increased slightly again to an average of 39 per cent in the course of the second quarter. The fluctuations in utilization in that quarter were attributable mainly to the Interest Rate Management Department and were caused by changing interest rate positionings. Utilization fell again somewhat in the course of the third quarter to average 24 per cent. However, on a year to date basis, VaR utilization fell steadily from 56 per cent in the first quarter to 37 per cent at the end of the second to 14 per cent at the end of the third.

Nothing noteworthy happened during the final quarter, which ended with a utilization rate of 19 per cent.

The reliability of the historical data-based VaR approach was verified by daily backtesting and supplemented and continuously improved by weekly stress tests.

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

€'000	VaR at 31/12/2013	VaR at 31/12/2012
Currency risk	68	439
Interest rate risk	420	105
Price risk	86	199
Volatility risk	394	23
<b>Total</b>	<b>371</b>	<b>406</b>

#### Market Risk in the Banking Book

The Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* and those responsible for portfolios received daily value at risk (VaR) reports containing information about current

limits utilization in the banking book and the individual sub-portfolios. Interest rate risk was managed centrally by the Interest Rate Management Department within Treasury, which is a Head Office department. This is where all our interest rate positions were systematically aggregated and managed. Interest rate risk was managed using gap analysis. The Market Risk Management Department carried out VaR and scenario analyses based on this gap analysis. The scenarios used were based on the recommendations of the *Finanzmarktaufsicht* (Austrian Financial Market Authority) and OeNB as well as the Basel Committee on Banking Supervision. Market risks in the banking book were reported to meetings of the Asset Liability Committee – which met once a month – and the committee decided the bank's interest rates projection and interest rates positioning. The following interest rate gaps mirror the structure of the bank's interest rate dependent operations and, therefore, the Asset Liability Committee's interest rates projection. Positive numbers indicate a fixed rate risk on the assets side of the account (i.e. an overhang on asset items; negative numbers indicate an overhang on liability items).

*Raiffeisenlandesbank NÖ-Wien AG's* interest rate gaps at 31 December 2013 (in thousands of euros):

Interest Rate Gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	(1,108,892)	(280,893)	305,039	(286,285)
US\$	(121,778)	1	102	1
¥	2,271	104	0	0
SFr	(635,265)	(19,048)	10,828	(1,212)
Other	3,566	61	0	0



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

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

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

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

€'000	VaR per 31.12.2013	VaR at 31/12/2012
Currency risk	615	1,501
Interest rate risk	43,657	36,416
Price risk	32,524	5,505
Volatility risk	5,245	10,917
<b>Total</b>	<b>48,390</b>	<b>36,416</b>

The following table presents in thousand of euros the change in present value in *Raiffeisenlandesbank NÖ-Wien AG's* banking book at 31 December 2013 given a parallel, one-basis-point rise in interest rates (a positive number means that a rise in interest rates would have caused an increase in present value; a negative number shows the loss in value that would have been caused by a one-basis-point rise in interest rates). This change in present value corresponds to the basis point value.

Interest Rate Gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	96.03	56.23	(239.85)	85.70
US\$	7.48	0.00	(0.04)	0.00
¥	(0.18)	(0.02)	0.00	0.00
SFr	65.49	3.83	(4.16)	2.01
Other	(0.36)	(0.01)	0.00	0.00

The change in present value in *Raiffeisenlandesbank NÖ-Wien AG's* banking book at 31 December 2012 given a parallel, one-basis-point rise in interest rates, in thousands of euros:

Interest Rate Gap	> 6 to 12 months	1 to 2 years	2 to 5 years	> 5 years
€	166.39	341.93	(138.17)	(95.85)
US\$	19.92	0.01	(1.53)	(0.15)
¥	(0.39)	0.00	0.00	0.00
SFr	(6.24)	100.68	(5.33)	(2.53)
Other	0.13	(0.04)	0.00	0.00

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

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

#### Credit Spread Risk

Credit spread risks can be both credit standing induced and risk premium induced. Account was taken of the credit standing induced portion in credit risk through migration risk in the calculation of CVaR. The risk premium induced portion was calculated by the Market Risk Management Department by way of credit spreads in various clusters.

The calculated credit spread risk was also brought into the quarterly risk-bearing capacity analyses.

#### Currency Risk

*Raiffeisenlandesbank NÖ-Wien AG's* currency risks were managed centrally by the Treasury Interest Rate Management and Capital Markets departments within Treasury, which is a Head Office department. The resulting currency risks were limited by a system of limits (VaR limit, sensitivity limits and a stop-loss limit) detailed in the Treasury Limits Framework.

The volume of reportable open currency positions was also monitored. As a result, all foreign currency positions were continuously monitored, controlled and managed.

#### Liquidity Risk

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

Liquidity risk comprises the following sub-risks:

- insolvency risk (liquidity risk in the narrow sense of the term)
- liquidity maturity transformation risk (liquidity risk in the broad sense of the term)

Insolvency risk includes maturity risk (unplanned lengthening of the period for which money lent is tied up) and withdrawal risk (premature withdrawals of deposits, unexpected draw-downs on promised lines of credit). Liquidity maturity transformation risk comprises market liquidity risk (assets cannot be sold or can only be sold on poorer terms) and funding risk (follow-up funding is impossible or is only possible on poorer terms). In addition, liquidity risk also includes the risk of regulatory sanctions and penalties for failing to meet minimum requirements (e.g. minimum reserves).

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

In view of the liquidity requirements of the Basel III regime, *Raiffeisenlandesbank NÖ-Wien AG* decided to increase its issuances, starting in 2012, within the scope of its medium-term issuing strategy. Following the first issuance of a mortgage cover bond in 2012, we successfully placed both a senior bond and another covered bond of benchmark size in 2013.

Liquidity management was carried out centrally for the entirety of the *Raiffeisen Bankengruppe NÖ-Wien Group* by the Treasury Department at Head Office. Liquidity risk was calculated by the Market Risk Management Department. It was assessed on the basis of scenario analyses.

The following scenarios were applied:

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

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

When looking at risks, the existing liquidity gaps (inflow and outflow overhangs) in each of the defined maturity bands were compared with the liquidity buffer – comprising a pool of highly liquid assets (fungible securities, credit claims, etc.) – that existed at the time in the light of the defined scenarios.

In general, there was a strong focus on safeguarding liquidity within a defined survival period. The survival period had to be ensured by *Raiffeisenlandesbank NÖ-Wien AG*'s existing liquidity buffer. It depended on the limits system in place. The survival period was set at three months.

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

*Raiffeisenlandesbank NÖ-Wien AG* had a detailed limits system in place to manage liquidity risk. In line with EBA requirements, it distinguished between three liquidity ratios:

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

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

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

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

Over and above the system of indicators we have described, the Market Risk Management Department calculated and reported *Raiffeisenlandesbank NÖ-Wien AG*'s short-term funding limit on a daily basis, comparing the current daily

need to raise funds in the interbank market with the available fungible securities.

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

In addition, an appropriate emergency plan was put in place to deal with any crises, implemented, when necessary, by the LIMA Committee.

*Raiffeisenlandesbank NÖ-Wien AG* took account of the importance of liquidity risk by continuously examining it during the monthly meetings of the Liquidity Committee. From 2014, this committee will act jointly with Interest Rate Management within the scope of the Asset Liability Committee. This committee addressed liquidity risk from the following points of view:

- funding strategy
- liquidity cost
- liquidity profits
- liquidity reporting and its results
- making recommendations to the Managing Board
- liaison with the LIMA-Committee

The table below presents *Raiffeisenlandesbank NÖ-Wien AG's* structural liquidity at 31 December 2013:

Maturity Band €'000	Gap (Absolute)	GoA	GoA Limit	Accumulated from Behind	S-LFT	S-LFT Limit
18 months	151,477	0.6%	(10.0)%	(3,952,581)		
2 years	(336,838)	(1.3)%	(10.0)%	(4,104,059)	130.8%	> 80%
3 years	(705,918)	(2.7)%	(10.0)%	(3,767,221)	134.5%	> 70%
5 years	184,217	0.7%	(10.0)%	(3,061,303)		
7 years	(1,688,401)	(6.4)%	(10.0)%	(3,245,519)	132.8%	> 60%
10 years	(2,005,088)			(1,557,118)		
15 years	418,217			447,970		
20 years	(20,417)			29,753		
30 years	153,591			50,170		
> 30 years	(103,421)			(103,421)	131.3%	> 50%

The table below presents *Raiffeisenlandesbank NÖ-Wien AG's* structural liquidity at 31 December 2012:

Zeitband in EUR Tsd.	Gap Absolut	GBS	Limit GBS	kumuliert von hinten	SLFT	Limit SLFT
18 Monate	1,042,459	3.6%	(10.0)%	(2,002,593)		
2 Jahre	(927,819)	(3.2)%	(10.0)%	(3,045,052)	113.1%	> 80%
3 Jahre	547,031	1.9%	(10.0)%	(2,117,233)	116.9%	> 70%
5 Jahre	(306,298)	(1.1)%	(10.0)%	(2,664,264)		
7 Jahre	(1,059,408)	(3.6)%	(10.0)%	(2,357,966)	130.2%	> 60%
10 Jahre	(1,878,592)			(1,298,558)		
15 Jahre	201,800			580,034		
20 Jahre	134,020			378,234		
30 Jahre	150,710			244,214		
>30 Jahre	93,504			93,504	128.7%	> 50%

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

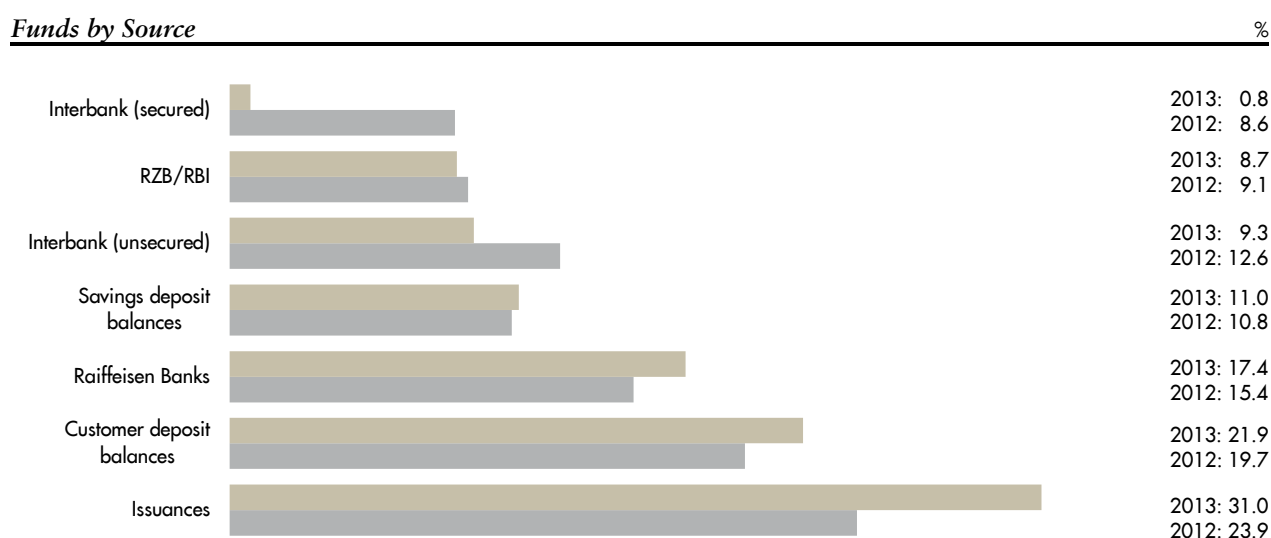
The table below presents *Raiffeisenlandesbank NÖ-Wien AG*'s undiscounted cash flows from derivatives at 31 December 2013:

€'000	Carrying Amount	Contractual Cash Flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
<i>Derivative liabilities</i>	988,641	2,442,607	97,840	294,246	998,708	1,051,813
Derivates in the trading book	137,260	455,238	24,672	56,777	188,592	185,197
Derivates designated in hedge relationships	191,069	619,370	21,580	50,256	190,545	356,989
Other derivatives	660,312	1,367,999	51,588	187,213	619,571	509,627

The table below presents *Raiffeisenlandesbank NÖ-Wien AG*'s undiscounted cash flows from derivatives at 31 December 2012:

€'000	Carrying Amount	Contractual Cash Flows	< 3 months	3 to 12 months	1 to 5 years	> 5 years
<i>Derivative liabilities</i>	1,608,948	3,062,267	132,855	445,848	1,323,174	1,160,390
Derivates in the trading book	256,244	476,410	26,558	91,420	201,793	156,640
Derivates designated in hedge relationships	338,144	681,204	24,513	76,203	224,387	356,101
Other derivatives	1,014,560	1,904,653	81,784	278,225	896,995	647,649

The chart below provides a breakdown of *Raiffeisenlandesbank NÖ-Wien AG*'s sources of funds in 2013 compared with 2012:



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

### Equity Investment Risk

Because of its focus on operating as a so-called *universal* bank, *Raiffeisenlandesbank NÖ-Wien AG* held only strategic equity investments within the Austrian *Raiffeisen* organization and other equity investments that supported its banking activities.

Equity investment risk can affect *Raiffeisenlandesbank NÖ-Wien AG* by way of:

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

The management and control of equity investments and the management of equity investment risk were carried out by *Raiffeisen-Holding NÖ-Wien* within the framework of a function allocation agreement (*Geschäftsbesorgungsvertrag*). The equity investment risk management process began with a due diligence audit as soon as a new investment was being acquired. As a rule, it was supported by external experts

(management consultants, auditors, lawyers). In addition, if the volume of a project was material or if the creditworthiness of an investment was poor, the Overall Group Risk Department at *Raiffeisen Holding NÖ-Wien* prepared a risk assessment of the entity being acquired based on reports from front-office departments.

*Raiffeisenlandesbank NÖ-Wien AG* exercised a significant influence over the operational business activities of the entities in which equity investments were held by appointing officers of *Raiffeisenlandesbank NÖ-Wien AG* to serve in the managements and as members of the supervisory and advisory boards of such entities.

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

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

€'000	Carrying Amount 31/12/2013	Percentage held	Rating	Carrying Amount 31/12/2012	Percentage held	Rating
Investments in other banks	2,542,430	98.0%	1.5	2,628,644	98.0%	1.5
Investments in banking-related fields	52,209	2.0%	2.0	54,670	2.0%	2.0
<b>Total equity investments</b>	<b>2,594,638</b>	<b>100.0%</b>	<b>1.5</b>	<b>2,683,314</b>	<b>100.0%</b>	<b>1.5</b>

The investments in other banks had the same risk rating of 1.5 as in 2012. Developments in the financial markets in the wake of the euro debt crisis from the second half of 2011 and the increase in country risks manifested by a significant deterioration in the general environment and market conditions for the banking industry continued to be central issues for front-office and back-office divisions at the banks in which the equity investments were held during the financial year ended.

There were no significant changes in the business environment affecting the equity investments in banking-related fields. As a result, the overall rating of *Raiffeisenlandesbank NÖ-Wien AG*'s equity investments was unchanged.

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

### Operational Risk

*Raiffeisenlandesbank NÖ-Wien AG* defined operational risk as the risk of losses resulting from

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

This definition included legal risks.

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

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

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

During both the risk self-assessment process and the capturing of loss events, classifications took place using internationally accepted methodologies. Since 2010, the Group has been running an early-warning key risk indicators project in the fields of payment services and investment and retirement saving products as an additional instrument for identifying

operational risks alongside the self-assessment process and loss database. This is a logical continuation of the measures being taken on the path towards the proactive management of operational risk.

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

To safeguard against operational risk within the meaning of § 22i BWG (now Article 312 *et seq.* CRR), *Raiffeisenlandesbank NÖ-Wien AG* was required also to use the basic indicator approach within the meaning of § 22j BWG to calculate its minimum own funds requirement and to make the requisite disclosures to the regulators. The basic indicator approach did not impose any further obligations on the bank to quantify its operational risks.

### Internal Control System

*Raiffeisenlandesbank NÖ-Wien AG* had an internal control system (ICS) in place. There was a detailed description of ICS procedures that served as the basis for continuous documentation of the processes in the bank that were relevant in risk terms and the associated control measures. Responsibilities and roles in the ICS and the control activities were clearly defined. The risks deemed to be of relevance to the ICS were regularly evaluated and revised. Regular multistage reports were prepared about the effectiveness and level of maturity of the ICS.

### Other Risks, Macroeconomic Risks

During the risk-bearing capacity analysis process, *Raiffeisenlandesbank NÖ-Wien AG* allowed for other risks in both the extreme case and the liquidation case by way of approximation, adding a loading of 5 per cent to the quantified risks other than equity investment risk. This allowance for other risks did not include equity investment risks because possible other risks and the impact of macroeconomic factors were already brought into risk assessments during the quantification of equity investment risks within the scope of the expert assessment process.



During risk-bearing capacity analysis, allowance was made for risks arising from the macroeconomic environment (based on the bank's loan portfolio) on a quarterly basis.

#### Institutional Protection Schemes

*Raiffeisenlandesbank NÖ-Wien AG* has concluded an agreement on the creation of an institutional protection scheme within the meaning of Articles 49(3) and 113(7) CRR at the federal level with RZB, the other *Regional Raiffeisen Banks*, *Raiffeisen-Holding NÖ-Wien* and a number of other institutions in the *Raiffeisen Banking Group*. *Raiffeisenlandesbank NÖ-Wien AG* has concluded an agreement with the same content with *Raiffeisen Holding NÖ-Wien* and 63 *Raiffeisen Banks* in Lower Austria.

The purpose of both agreements is to ensure that the parties to them have sufficient liquidity and solvency. On the one hand, these protection scheme agreements will mean that institutions will not have to deduct holdings of the own funds instruments of other parties to the same protection scheme from their own funds (Article 49(3) CRR). On the other, institutions can exclude risk exposures to other parties to the same protection scheme from their calculations of risk-weighted exposure amounts (Article 113(7) CRR).

Both institutional protection schemes have been provisionally approved in a procedural ordinance (*Verfahrensanordnung*) issued by the *Finanzmarktaufsicht* (Austrian Financial Market Authority) in accordance with § 103q Z 3 *BWG*. The final ruling is expected before the end of 2014.

#### Customer Deposit Protection Association (*Kundengarantie-gemeinschaft*) of the Austrian Raiffeisen Organization

Supplementing internal measures to identify, measure and manage risk, *Raiffeisenlandesbank NÖ-Wien AG* was a member of the *Raiffeisen* customer deposit protection association (*Kundengarantiegemeinschaft*). This association of *Raiffeisen Banks*, *Regional Raiffeisen Banks*, RZB and RBI guaranteed on a mutual basis up to 100 per cent of all customer deposit balances as well as the securities issued by those entities. The customer deposit protection association is a two-tiered organization. It functions at a regional level, with, for instance, *Raiffeisen Banks* in Lower Austria mutual-

ly guaranteeing customer deposit balances, and a second level of security is provided by the federal customer deposit protection association (*Bundeskundengarantiegemeinschaft*), which will come into play should any regional protection system prove insufficient. The customer deposit protection association of the *Raiffeisen Banks*, *Regional Raiffeisen Banks*, RZB and RBI thus provided a double safety net to protect customer deposits.

#### The Solidarity Association (*Solidaritätsverein*) of Raiffeisen-Bankengruppe Niederösterreich-Wien

*Raiffeisenlandesbank NÖ-Wien AG* and the *Raiffeisen Banks* in Lower Austria jointly set up this solidarity association to ensure that members in financial difficulties can be given suitable help. The solidarity association thus provided added security alongside the Austrian and Lower Austrian *Raiffeisen* deposit protection schemes described below.

#### Deposit Protection Schemes of the Austrian Raiffeisen Organization

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

#### The Austrian Raiffeisen Banking Group

The Austrian *Raiffeisen Banking Group* is the country's largest private banking group. It consisted of some 512 locally active *Raiffeisen Banks*, eight regionally active *Regional Raiffeisen Banks (Landeszentrale)*, RZB and RBI in Vienna, making up the country's densest banking network with a total of

1,661 banking outlets. Roughly 1.7 million Austrians are members – and therefore co-owners – of a *Raiffeisen Bank*.

#### **Statutory Deposit Guarantee Scheme**

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

**(30) Derivative financial instruments**

The following tables present the derivative financial products not yet settled at the balance sheet date, broken down by term to maturity.

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

2013 €'000	Nominal amounts				Fair values	
	Up to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total	Positive	Negative
<b>Total</b>	<b>13,550,817</b>	<b>13,946,988</b>	<b>12,401,935</b>	<b>39,899,740</b>	<b>1,102,029</b>	<b>(1,141,213)</b>
<b>a) Interest rate contracts</b>	<b>11,975,605</b>	<b>13,275,629</b>	<b>11,818,419</b>	<b>37,069,653</b>	<b>991,585</b>	<b>(1,048,660)</b>
(exchange-traded contracts)						
Interest rate futures	144,500	0	0	144,500	1,586	0
(OTC products)						
Interest rate swaps	11,113,709	12,773,908	10,551,104	34,438,721	977,565	(1,033,925)
FRAs – calls	407,298	0	0	407,298	0	(3)
Interest rate options – calls	105,134	251,936	592,075	949,145	12,434	0
Interest rate options – puts	204,964	249,785	675,240	1,129,989	0	(14,732)
<b>b) Exchange rate contracts</b>	<b>1,444,829</b>	<b>596,426</b>	<b>136,930</b>	<b>2,178,185</b>	<b>107,714</b>	<b>(92,201)</b>
(OTC products)						
Currency forwards	88,763	0	0	88,763	1,513	(1,247)
Cross currency and interest rate cross currency swaps	1,350,110	590,426	89,130	2,029,666	34,161	(17,725)
Currency options – calls	1,978	3,000	0	4,978	478	0
Currency options – puts	1,978	3,000	0	4,978	0	(478)
Other foreign currency contracts and gold contracts	2,000	0	47,800	49,800	71,562	(72,751)
<b>c) Securities contracts</b>	<b>0</b>	<b>74,933</b>	<b>446,586</b>	<b>521,519</b>	<b>1,970</b>	<b>(60)</b>
(OTC products)						
Equity and index options – calls	0	0	223,211	223,211	8	0
Equity and index options – puts	0	0	223,375	223,375	0	(8)
Other securities contracts	0	74,933	0	74,933	1,962	(52)
<b>d) Credit derivatives</b>	<b>130,383</b>	<b>0</b>	<b>0</b>	<b>130,383</b>	<b>760</b>	<b>(292)</b>
(OTC products)						
Credit default swaps - secured party	28,000	0	0	28,000	0	(292)
Credit default swaps - securing party	102,383	0	0	102,383	760	0

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



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

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

Derivative interest rate contracts and derivative securities transactions were mainly used within the scope of proprietary trading. Derivative foreign exchange contracts were used within the scope of both proprietary and customer business. Credit derivatives were only used within the scope of proprietary trading.

### (31) Fair values of financial instruments

#### Financial instruments recognized at fair value

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

An active market is a market in which transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Indicators that an active market exists may also consist of the number and frequency of updates of quotes or the quality of quotes (e.g. by banks or stock exchanges). In addition, narrow bid ask spreads and quotes by market participants that lie within a certain corridor may also be signs of an active market.

The Raiffeisenlandesbank NÖ-Wien Group used generally accepted and well-known valuation models to value derivatives. OTC derivatives such as interest rate swaps, cross currency swaps and forward rate agreements were measured using the discounted cash flow model (DCF) usually used for those products. OTC options such as foreign exchange options and caps and floors were measured on the basis of market standard valuation models. For the products we have named as examples, these might for instance be the *Garman-Kohlhagen model* or *Black '76*.

To take account of the counterparty default risk on OTC (over-the-counter) derivatives that were not protected by CSAs

(credit support annexes), a CVA (credit value adjustment) was carried out that captured the cost of hedging against this risk in the market. CVA is the product of the expected positive fair value of the derivative (expected positive exposure or EPE), the loss given default (LGD) and the probability of default (PD) associated with the counterparty. The EPE was calculated through simulation and the LGD and PD were calculated based on market data (CDS [credit default swap] spreads insofar as they were directly available for the particular counterparty or by mapping the counterparty's creditworthiness to reference counterparties). The debt value adjustment (DVA) is an adjustment one makes for one's own default probability. The method used to calculate this was similar to the method used to calculate the CVA, but the expected negative fair value (ENE or expected negative exposure) was used instead of the expected positive fair value.

All the valuation parameters used in valuations (e.g. interest rates and yields, volatilities) were checked regularly and were obtained from independent market data information systems.

Raiffeisenlandesbank NÖ-Wien's bond portfolio was primarily valued on the basis of tradable market prices. If no quotes were available, such securities were measured using the *discounted cash flow model*. The valuation parameters applied in this model were the yield curve and an appropriate credit spread. The credit spread was ascertained on the basis of comparable financial instruments existing in the market. A conservative approach was adopted for a small part of the portfolio, with valuations being based on credit default spreads.

In addition, we also considered external third-party valuations. These were always indicative in character.

Positions were assigned to a level at the end of the period under review.

2013 €'000	Level I	Level II	Level III
<b>Assets</b>			
Trading assets	25,343	217,830	42,266
Securities and equity investments designated as at fair value through profit and loss	865,473	86,250	129,122
Securities and equity investments classified as available for sale and measured at fair value	2,873,946	391,009	60,006
Other assets (positive fair values of derivative financial instruments)	1,586	1,099,432	0
<b>Liabilities</b>			
Liabilities evidenced by paper designated as at fair value through profit or loss	0	636,390	0
Trading liabilities	64	178,810	0
Other liabilities negative fair values of derivative contracts	0	1,141,233	0
Subordinated debt capital designated as at fair value through profit or loss	0	0	44,329
<b>2012</b>			
€'000	Level I	Level II	Level III
<b>Assets</b>			
Trading assets	152,974	365,356	0
Securities and equity investments designated as at fair value through profit and loss	1,948,111	80,868	35,951
Securities and equity investments classified as available for sale and measured at fair value	2,363,907	481,494	9,659
Other assets (positive fair values of derivative financial instruments)	0	1,793,211	0
<b>Liabilities</b>			
Liabilities evidenced by paper designated as at fair value through profit or loss	0	664,424	0
Trading liabilities	94	297,789	0
Other liabilities negative fair values of derivative contracts	265	1,882,048	0
Subordinated debt capital designated as at fair value through profit or loss	0	43,770	0

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



Reclassifications between Level I and Level II:

2013 €'000	From Level I to Level II	From Level II to Level I
<i>Assets</i>		
Securities and equity investments designated as at fair value through profit and loss	13,481	6,977
Securities and equity investments classified as available for sale and measured at fair value	0	80,553
<hr/>		
2012 €'000	From Level I to Level II	From Level II to Level I
<i>Assets</i>		
Trading assets	223	0
Securities and equity investments designated as at fair value through profit and loss	11,144	49,569
Securities and equity investments classified as available for sale and measured at fair value	0	8,329

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

The items reclassified from Level I to Level II were securities for which market quotes had previously been available but were now no longer available. These securities were now

measured using the *discounted cash flow model* taking into account the applicable yield curve in each case and an appropriate credit spread.

The items reclassified from Level II to Level I were securities previously valued using the discounted cash flow model. As market quotes were now available for them, these could be used for valuation purposes.

## Reconciliation

Financial instruments allocated to Level III:

2013 €'000	Trading assets	Securities and equity investments	Subordinated debt capital
<i>At 1 January</i>	0	45,610	0
Reclassification to Level III	44,436	67,252	43,770
Purchases	0	97,339	0
Revaluation gains less revaluation losses (trading profit/(loss) from financial investments)	(2,182)	0	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	(8,390)	(1,642)
Gains less losses realized on disposal and recognized in the Income Statement	0	283	0
Interest accruals	11	629	2,201
Sales	0	(10,715)	0
Performance	0	(2,880)	0
<b>At 31 December</b>	<b>42,265</b>	<b>189,129</b>	<b>44,329</b>
Revaluation gains and losses in the Consolidated Income Statement on financial instruments recognized at 31 December	(2,182)	(8,390)	(1,642)

2012 €'000	Trading assets	Securities and equity investments	Other assets	Other liabilities
<i>At 1 January</i>	0	38,977	36	62
Reclassification to Level III	0	10,020	0	0
Revaluation gains and losses (profit/(loss) from financial investments)	0	1,480	0	0
Interest accruals	0	(8)	0	0
Reclassification from level III	0	(4,671)	0	0
Sales	0	(188)	0	0
Performance	0	0	(36)	(62)
<b>At 31 December</b>	<b>0</b>	<b>45,610</b>	<b>0</b>	<b>0</b>
Revaluation gains and losses in the Consolidated Income Statement on financial instruments recognized at 31 December	0	1,480	0	0

Reclassifications to Level III took place for the following reasons.

The Notes were supplemented accordingly following the amalgamation of the existing guidance on measuring fair value contained in the different standards to create a new extensive conceptual framework in IFRS 13. As a result, the

specifications regarding the measurement of fair value were also revised with regard to the assignment of items to levels. We consequently concluded that the adjustments to the observable market data carried out in respect of subordinated debt capital now necessitated (re)classifications to Level III. An internally calculated funding spread was used in respect of subordinated debt capital.

Some of the assets were securities for which market quotes had previously been available but now were no longer availa-

ble. Since there were no adequate sources of spreads, prices were now external indicative prices.

Then again, big bid-ask spreads suggested that some items were illiquid even though market quotes were available. Such extreme spreads could be seen as non-binding consensus pricing information.

Quantitative information about the valuation of Level III financial instruments:

2013	Type	Fair Value, €m	Valuation Method	Material Non- observable Input Factors	Range of Non- observable Input Factors
<i>Financial Assets</i>					
Shares and other variable-yield securities	Equities and funds	2.9	External valuations	Discounts	3 to 20%
Shares and other variable-yield securities	Fund linked notes	4.9	External valuations	Discounts	1 to 6%
Bonds and other fixed-interest securities	Fixed-interest bonds	160.9	DCF model	Credit spread	2 to 40%
Bonds and other fixed-interest securities	Credit linked notes	12.1	External valuations	Credit spread	1 to 6%
Bonds and other fixed-interest securities	Supplementary capital	50.7	External valuations	Discounts	1 to 40%
<i>Finanzielle Verbindlichkeiten</i>					
Subordinated liabilities	Index linked notes	33.6	External valuations	Credit spread	2.5 to 5%
Subordinated liabilities	Fixed-interest bonds	10.7	DCF model	Credit spread	2.5 to 5%

The methods used to measure securities to fair value were decided by our Valuations Department and adopted by the Managing Board. The goal of such valuation guidance was to ensure the best possible measurement results and establish fully consistent valuation methodologies.

Automatic checks were in place to ensure that the quality of the applied models and the input parameters that were used met the standard that had been laid down.

When new financial instruments were acquired, we immediately examined and validated all the possible sources of prices and took a decision in conformity with the valuation guidance and the current legal requirements.

Priority was given to valuation parameters that were generally accepted in the market and were obtained from acknowledged data providers.

If the value of a financial instrument depended on non-observable parameters, these parameters could be chosen from a range of alternative parameterizations. At 31 December 2013, simulating shifts in the parameters to the ends of this range increased the fair value of the assets by €2.2 million or reduced it by €76.0 million and increased the fair value of the liabilities by €6.8 million or reduced it by €0.4 million. The corresponding market conditions and internal valuation guidelines were taken into account.

However, it is extremely unlikely that all the non-observable parameters would simultaneously shift to the ends of the ranges. Consequently, these results do not allow one to draw any conclusions about actual future changes in market values.

#### Financial instruments not recognized at fair value

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

2013 €'000	Fair Value	Carrying Amount	Difference
<b><i>Assets</i></b>			
Loans and advances to other banks	8,636,361	8,575,236	61,125
Loans and advances to customers	10,764,500	10,732,691	31,809
Securities classified as held-to-maturity	790,524	771,331	19,193
<b><i>Liabilities</i></b>			
Deposits from other banks	9,207,292	9,029,012	178,280
Deposits from customers	8,395,110	8,280,334	114,776
Liabilities evidenced by paper classified at amortised cost	6,142,841	6,046,963	95,878
Subordinated debt capital classified at amortised cost	988,658	984,890	3,768

2013 €'000	Fair Value Level I	Fair Value Level II	Fair Value Level III
<i>Assets</i>			
Loans and advances to other banks	0	0	8,636,361
Loans and advances to customers	0	0	10,764,500
Securities classified as held-to-maturity	585,089	165,970	39,464
<i>Liabilities</i>			
Deposits from other banks	0	9,207,292	0
Deposits from customers	0	8,395,110	0
Liabilities evidenced by paper classified at amortised cost	0	6,142,841	0
Subordinated debt capital classified at amortised cost	0	0	988,658

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

If no reliable market values were available for an equity instruments, it was measured at cost. If the volume or frequency of transactions gave reason to doubt a price's validity, listed equity instruments too were measured at cost. In the case of unlisted equity instruments, including in particular equity investments, there were as a rule no observable market transactions in identical or similar equity instruments based on which reliable fair values could be deduced. Estimation of a reliable fair value or its determination within ranges of fluctuation weighted on the basis of specific occurrence probabilities by means of a discounted cash flow method or similar technique was not productive in that fair values could only be calculated on the basis of an entity's internal data,

from which, however, no market relevance can be reliably deduced.

The carrying amount of the available-for-sale financial instruments measured at cost was €20,661 thousand (year-end 2012: €73,100 thousand). No disposals of available-for-sale financial instruments measured at cost were planned. During the 2013 financial year, the measurement of such financial instruments was changed and they were reclassified as available-for-sale financial instruments measured at fair value. This was because at the time of the preparation of the Interim Financial Statements as at and for the six months ended 30 June 2013, sales negotiations meant that a reliable fair value

was now available. These financial instruments, having been recognized at a carrying amount of €6,514 thousand at the end of 2012, were derecognized, generating gains less losses on disposal of €8,586 thousand. No available-for-sale financial instruments measured at cost were derecognized during

the financial year under review. In 2012, financial instruments of this type with a carrying amount of €2,984 thousand were derecognized, generating gains less losses on disposal of negative €326 thousand.

## Additional Information

### (32) Breakdown of remaining terms to maturity

Breakdown of remaining terms to maturity at 31 December 2013:

2013 €'000	On Demand or of Unspecified Maturity	Up to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	From 5 Years and Over	Total
Loans and advances to other banks	610,440	4,145,617	1,014,382	2,123,183	682,109	8,575,731
Loans and advances to customers	352,609	2,328,193	1,172,261	3,665,180	3,486,338	11,004,581
Trading assets	0	223,105	340	54,476	22,588	300,509
Securities and equity investments	64,129	329,741	529,643	1,471,600	2,802,686	5,197,798
Deposits from other banks	2,995,480	2,851,326	487,174	1,628,775	1,066,257	9,029,012
Deposits from customers	4,810,312	439,468	1,676,817	552,626	801,111	8,280,334
Liabilities evidenced by paper	0	376,394	1,035,818	2,952,874	2,318,267	6,683,353
Trading liabilities	0	12,715	19,588	32,438	129,572	194,313
Subordinated debt capital	0	8,498	34,237	171,809	814,674	1,029,219

Breakdown of remaining terms to maturity at 31 December 2012:

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

*(33) Related party disclosures*

€'000	<b>2013</b>	<b>2012</b>
<i>Loans and advances to other banks</i>		
Parent		1,589,940
Associates	4,594,537	5,132,827
<i>Loans and advances to customers</i>		
Subsidiaries related via the parent	291,280	296,649
Unconsolidated subsidiaries	25,195	36,091
Associates	606,616	413,509
Associates related via the parent	245,967	214,424
<i>Impairment charge on loans and advances</i>		
Unconsolidated subsidiaries	(2,001)	(1,989)
<i>Trading assets</i>		
Associates	25,603	33,372
Associates related via the parent	0	221
<i>Securities and equity investments</i>		
Parent	277	277
Associates	114,669	170,913
Associates related via the parent	11,665	24,280
<i>Other assets</i>		
Parent	153,895	186,900
Subsidiaries related via the parent	974	1,547
Associates	82,068	104,810
<hr/>		
€'000	<b>2013</b>	<b>2012</b>
<i>Deposits from other banks</i>		
Parent	250,030	19,831
Associates	2,750,742	2,637,519
<i>Deposits from customers</i>		
Subsidiaries related via the parent	315,090	465,064
Unconsolidated subsidiaries	18,129	15,792



€'000	2013	2012
<i>Contingent liabilities</i>		
Parent	7,099	7,099
Subsidiaries related via the parent	18,034	21,944
Unconsolidated subsidiaries	1,238	2,213
Associates	366,140	393,624
Associates related via the parent	94,051	12,358

The following legal and business relations existed with related subsidiaries:

- Raiffeisenlandesbank NÖ-Wien AG's parent is Raiffeisen-Holding NÖ-Wien. Business relations between Raiffeisenlandesbank NÖ-Wien AG and Raiffeisen-Holding NÖ-Wien primarily involved the funding of Raiffeisen-Holding NÖ-Wien and transactions in derivative financial instruments.
- Raiffeisenlandesbank Niederösterreich-Wien reg. Gen.m.b.H. contributed its banking operations and its banking-related equity investments to RAIFFEISEN-LANDESBANK NIEDERÖSTERREICH-WIEN AG (formerly PRAELUSIO Beteiligungs AG) as a contribution in kind with retroactive effect from 31 December 2000 in accordance with § 92 BWG and Art. III Umgründungssteuergesetz (Austrian reorganization tax act). The contributing company changed its name to RAIFFEISEN HOLDING NIEDERÖSTERREICH-WIEN reg. Gen.m.b.H. The banking segment's licences and approvals were migrated from Raiffeisen-Holding NÖ-Wien to Raiffeisenlandesbank NÖ-Wien AG in accordance with § 92 Abs. 6 BWG. The banking segment was taken over by Raiffeisenlandesbank NÖ-Wien AG as universal successor in accordance with § 92 Abs. 4 BWG. According to § 92 Abs. 9 BWG, Raiffeisen-Holding NÖ-Wien is liable with all its assets for all present and future liabilities of Raiffeisenlandesbank NÖ-Wien AG should it become insolvent.
- Since the assessment year 2005, *Raiffeisenlandesbank NÖ-Wien AG* has been a member of a taxable enterprises group (*steuerliche Unternehmensgruppe*) within the meaning of § 9 KStG (Austrian corporation tax act) under group par-

ent (*Gruppenträger*) *Raiffeisen-Holding NÖ-Wien*. It has concluded a tax contribution agreement (*Steuerumlagenvereinbarung*) with the group parent.

- A profit-transfer agreement was in place between *Raiffeisenlandesbank NÖ-Wien AG* and *Raiffeisen-Holding NÖ-Wien*. It was concluded in 2001 and amended by amendment agreements in the years 2009 and 2012.
- The liquidity management agreement concluded between *Raiffeisenlandesbank NÖ-Wien AG* and *Raiffeisen-Holding NÖ-Wien* regulates relations between the two parties with respect to supplying, measuring and monitoring liquidity and taking appropriate related measures. The liquidity management agreement was concluded for an indefinite period and can be terminated by either party.
- A function allocation agreement (*Geschäftsbesorgungsvertrag*) was in place between *Raiffeisenlandesbank NÖ-Wien AG* and *Raiffeisen-Holding NÖ-Wien*. This agreement regulated in detail the mutual rendering of services to prevent duplication and ensure cost efficiency.
- A profit-transfer agreement was in place between Raiffeisenlandesbank NÖ-Wien AG and 'AKTUELL' Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.
- Raiffeisenlandesbank NÖ-Wien AG and RLB NÖ-Wien Holding GmbH concluded a profit-transfer agreement in 2010.
- *Raiffeisenlandesbank NÖ-Wien AG* was a member of a taxable group for VAT purposes with the following companies:
  - Raiffeisen-Holding NÖ-Wien
  - "AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H.

- MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH
- Raiffeisen Beratung direkt GmbH
- KREBEG Finanzierungsberatungs GmbH
- Raiffeisen Versicherungs- und Bauspar-Agentur GmbH
- Veritas Treuhandgesellschaft für Versicherungsüberprüfung und –vermittlung m.b.H.
- *Raiffeisenlandesbank NÖ-Wien AG* had taken out directors and officers (D&O) insurance and fidelity insurance for its boards and officers and management personnel and for all the boards and officers of its subsidiaries and bore the associated costs.
- An agreement setting up an institutional protection scheme (federal IPS agreement) was in place between *Raiffeisenlandesbank NÖ-Wien AG*, *Raiffeisen-Holding NÖ-Wien*, RZB, all other *Regional Raiffeisen Bank*, *ZVEZA Bank*, *Raiffeisen Bausparkasse GmbH*, *Raiffeisen Wohnbaubank AG* and *Österreichische Raiffeisen-Einlagensicherung eGen (ÖRE)*.
- An agreement setting up an institutional protection scheme (regional IPS agreement) was in place between *Raiffeisenlandesbank NÖ-Wien AG*, *Raiffeisen-Holding NÖ-Wien*, *Solidaritätsverein der Raiffeisen-Bankengruppe NÖ-Wien*, 63 *Raiffeisen Banks* in Lower Austria and *Raiffeisen-Einlagensicherung NÖ-Wien reg.Gen.m.b.H. (LASE)*.

During 2013, directly and indirectly held equity investments in an associate classified as available for sale were sold for a total price of €20.4 million. No such transaction took place in 2012.

A conditional offsetting agreement regarding the offsetting of receivables from and payables to banks was in place with one associate and one of its subsidiaries.

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

'Key management' is to be understood as meaning the members of the Managing Board and the members of the Supervisory Board of *Raiffeisenlandesbank NÖ-Wien AG* and the members of the management, managing board and supervisory board of *Raiffeisen-Holding NÖ-Wien*.

Key management had the following relations with *Raiffeisenlandesbank NÖ-Wien AG*:

€'000	<b>2013</b>	<b>2012</b>
Sight deposit balances	2,769	2,544
Bonds	340	1,886
Savings deposit balances	679	703
Other receivables	177	49
<b>Total</b>	<b>3,965</b>	<b>5,182</b>
Current accounts	8	79
Loans	1,248	2,857
Other payables	145	23
<b>Total</b>	<b>1,401</b>	<b>2,959</b>

Assets were sold to a member of key management for €15 thousand in 2013. No such transaction took place in 2012.

The table below presents relations with the persons related to the key management of Raiffeisenlandesbank NÖ-Wien:

€'000	2013	2012
Sight deposit balances	189	158
Savings deposit balances	287	227
Other receivables	3	4
<b>Total</b>	<b>479</b>	<b>389</b>
Current accounts	1	0
Loans	36	0
Other payables	2	3
<b>Total</b>	<b>39</b>	<b>3</b>

#### (34) Remuneration of board members

Expenditure on the members of the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* broke down as follows:

€'000	2013	2012
<i>Expenditure on</i>		
Short-term benefits	1,790	2,043
Post-employment benefits	682	377
Other long-term benefits	2	9
Termination benefits	225	0

Ongoing remuneration of €97 thousand was paid to the members of the Supervisory Board during 2013 (2012: €88 thousand).

Remuneration paid to former key management personnel (of the former *Raiffeisenlandesbank Niederösterreich-Wien reg. Gen.m.b.H.*) and their surviving dependents and former members of the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* totalled €1,164 thousand (2012: €1,070 thousand).

#### (35) Disclosure of loans and advances to members of the managing board and members of the supervisory board in accordance with § 266 Z. 5 UGB

On the balance sheet date, loans outstanding to the members of the Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* came to €855 thousand (year-end 2012: €1,850 thousand). Loans and advances to members of the Supervisory Board of *Raiffeisenlandesbank NÖ-Wien AG* came to €5 thousand (year-end 2012: €140 thousand).

No guarantees were in place on behalf of this group of persons. Lendings to the members of the Supervisory Board also included loans and advances to the employees appointed to the Supervisory Board by the Staff Council. Durations and interest rates were those generally on offer from banks. Dur-

ing the financial year, €70 thousand was repaid by members of the Managing Board (2012: €71 thousand), and €14 thousand was repaid by members of the Supervisory Board (2012: €15 thousand).

### (36) Foreign currency balances

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

€'000	2013	2012
Assets	1,856,165	2,142,798
Liabilities	550,186	1,341,616

### (37) Assets and liabilities abroad

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

€'000	2013	2012
Assets	4,687,901	5,619,740
Liabilities	5,573,276	6,064,598

### (38) Subordinated assets

Assets included the following subordinated assets:

€'000	2013	2012
Loans and advances to other banks	12,211	12,211
Loans and advances to customers	857	876
Securities and equity investments	101,598	309,916
<b>Total</b>	<b>114,665</b>	<b>323,003</b>

**(39) Subordinated borrowings****Subordinated debt capital**

The following subordinated debt capital within the meaning of § 23 Abs. 8 BWG was raised during the 2013 financial year:

		<b>Currency</b>	<b>Amount (€'000)</b>	<b>Interst Rate</b>	<b>Maturing on</b>	<b>Extraordinary Right of Termination</b>
1	Nachrangige Tier 2 Raiffeisen Fixzins-Obligation 2013(2023)/19	EUR	6,943	5%	18/10/2023	None
2	Nachrangige Tier 2 Raiffeisen Fixzins-Obligation 2013(2023)/13	EUR	22,193	1)	28/06/2023	None
3	Nachrangige Schuldverschreibungen 2013(2023)	EUR	300,000	5.875%	27/11/2023	None
4	Nachrangiger Schuldschein SSD Ref Nr 16057	EUR	2,000	5.15%	18/09/2023	Yes
5	Nachrangiger Schuldschein SSD Ref Nr 17818	EUR	2,000	5.15%	31/10/2023	Yes
6	Nachrangiger Schuldschein SSD Ref Nr 16038	EUR	5,000	5.5%	05/09/2029	Yes
7	Nachrangiger Schuldschein SSD Ref Nr 13600	EUR	3,000	4.55%	05/06/2023	Yes
8	Nachrangiger Schuldschein SSD Ref Nr 15655	EUR	20,000	5.3%	02/09/2033	Yes
9	Nachrangiger Schuldschein SSD Ref 13390	EUR	10,000	4.8%	05/02/2026	Yes
10	Nachrangiger Schuldschein SSD Ref 13389	EUR	5,000	4.7%	05/11/2024	Yes

1) The variable coupon is payable in retrospect every quarter on 28 March, 28 June, 28 September and 28 December of each year. The first coupon period ended on 28 September 2013. The minimum coupon in a variable coupon period has been set at 4 per cent *per annum*. The maximum coupon in a variable coupon period has been set at 8 per cent *per annum*. Interest is calculated using the Actual/Actual (ICMA) method. These notes are securities issued in a continuous manner.

**Supplementary capital**

No supplementary capital was raised during the 2013 financial year.

**(40) Contingent liabilities and other off-balance sheet liabilities and commitments**

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

€'000	2013	2012
<b>Contingent liabilities</b>	<b>1,163,228</b>	<b>1,316,152</b>
Of which arising from other guarantees	1,098,335	1,229,809
Of which arising from letters of credit	64,781	86,231
Of which other contingent liabilities	112	112
<b>Commitments</b>	<b>5,149,144</b>	<b>5,979,664</b>
Of which arising from revocable loan promises	3,250,389	2,856,042
Of which arising from irrevocable loan promises	1,898,755	3,123,622
Up to 1 year	341,172	357,244
More than 1 year	1,557,583	2,766,378

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

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

*Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien* was, in turn, a member of *Raiffeisen-Kundengarantiegemeinschaft Österreich* (*Raiffeisen* customer deposit protection association in Austria), whose members were RZB, RBI and other *Raif-*

*feisen-Landeskundengarantiegemeinschaften* (regional *Raiffeisen* customer deposit protection associations). The purpose of this association is the same as that of *Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien*, but with respect to RZB, RBI and the members of the regional *Raiffeisen* customer deposit protection associations that have joined it (see also note (29) *Risk Report*).

An institutional protection system (federal and regional IPSs) was set up under a federal IPS agreement and a regional IPS agreement in which the parties assumed the rights and obligations laid down in the relevant legislative provisions of the legal framework for institutional protection schemes and the rights and obligations regulated in the federal IPS agreement and the regional IPS agreement to implement them. In addition, a trust agreement was in place between the parties to the federal IPS agreement and regional IPS agreement according to which ÖRE or LASE, respectively, was to act as trustee in respect of payments made within the scope of the federal or regional institutional protection scheme.

**(41) Repurchase agreements, securities lending and netting agreements**

At 31 December, the following repurchase and resale obligations existed under repo agreements:

€'000	2013	2012
<i>Genuine repurchase agreements as seller</i>		
Payables to other banks	201,278	1,203,885
<b>Total</b>	<b>201,278</b>	<b>1,203,885</b>

At the end of the financial year, the carrying amount of the securities sold under a sale and repurchase agreement came to €245,017 thousand (year-end 2012: €1,308,023 thousand). No securities were purchased under a sale and repurchase agreement.

Securities worth €52,293 thousand had been lent (year-end 2012: €66,805 thousand) and no securities had been borrowed (year-end 2012: €72,374 thousand) within the scope of securities lending transactions. No cash collateral existed in connection with securities lending transactions.

The following financial assets and liabilities had been netted on the Balance Sheet in conformity with IAS 32 or were subject to an enforceable master netting agreement or similar arrangement:

Assets 2013 €'000	Gross Amount	Netted on the Balance Sheet	Net Amounts shown on the Balance Sheet	Associated Non-netted Amounts on the Balance Sheet Financial Instruments	Cash Collateral Taken	Net Amount
Loans and advances to other banks	4,101,710	0	4,101,710	(2,184,655)	0	1,917,055
Derivatives	946,078	0	946,078	(824,322)	(111,449)	10,307
<b>Total</b>	<b>5,047,788</b>	<b>0</b>	<b>5,047,788</b>	<b>(3,008,977)</b>	<b>(111,449)</b>	<b>1,927,362</b>



Liabilities 2013 €'000	<b>Gross Amount</b>	<b>Netted on the Balance Sheet</b>	<b>Net Amounts shown on the Balance Sheet</b>	<b>Associated Non-netted Amounts on the Balance Sheet Financial Instruments    Cash Collateral Taken</b>		<b>Net Amount</b>
Deposits from other banks	2,283,593	0	2,283,593	(2,184,655)	0	98,938
Derivatives	1,291,797	0	1,291,797	(824,322)	(462,734)	4,741
Securities delivered under repurchase agreements	201,278	0	201,278	(201,278)	0	0
<b>Total</b>	<b>3,776,668</b>	<b>0</b>	<b>3,776,668</b>	<b>(3,210,255)</b>	<b>(462,734)</b>	<b>103,679</b>

*Raiffeisenlandesbank NÖ-Wien AG* offset with the respective counterparty mutual receivables arising from derivative transactions (positive and negative fair values) resulting from individual transactions effected under a framework agreement (for financial forwards and futures) or an ISDA master agreement. *Raiffeisenlandesbank NÖ-Wien AG* had concluded

such netting agreements with numerous banks and other financial institutions. A netting agreement was also in place for offsetting receivables and payables with an associate and one of its subsidiaries. The agreements we have described were conditional netting agreements that only permitted netting in the event of a payment default or insolvency.

**(42) Assets pledged as collateral**

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

€'000	2013	2012
Receivables in the mortgage cover pool	1,089,123	901,526
Receivables assigned as cover for covered bonds	476,887	0
Collateral for derivative contracts	472,290	840,822
Receivables assigned to OeKB	411,584	396,055
Receivables assigned to the EIB	233,316	75,597
Cover pool for issued covered partial debentures	180,507	672,655
Bonds lodged with OeKB in connection with EIB loans	82,492	101,781
Receivables in the RZB cover pool	76,608	79,101
Receivables assigned to KfW	50,814	54,405
Cover pool for fiduciary savings deposit balances	15,434	15,875
Collateral for securities transactions with OeKB (securities)	15,000	20,000
Bonds lodged with OeKB as a clearing link for the Deutsche Börse (Xetrahandel)	9,691	10,015
Other receivables assigned	6,903	6,903
Collateral for securities transactions lodged with OeKB (cash deposit)	53	54
Receivables assigned to OeNB	0	1,160,236
Securities lodged in connection with ECB tenders	0	1,585,396
<b>Total</b>	<b>3,120,702</b>	<b>5,920,420</b>

In addition, in accordance with § 1 Abs. 6 FBSchVG (Austrian act of 27 December 1905 concerning covered bonds, BGBl 1905/213, as amended), mortgage receivables of other banks in the amount of €555.9 million (year-end 2012:

€100.6 million) were also added to *Raiffeisenlandesbank NÖ-Wien AG's* mortgage cover pool to secure obligations under the covered bonds.

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

€'000	2013	2012
Payables to other banks	603,592	1,598,284
Deposits from customers	12,703	12,703
Liabilities evidenced by paper	1,495,558	1,166,329
Other liabilities	472,290	840,822
<b>Total</b>	<b>2,584,143</b>	<b>3,618,138</b>

**(43) Trust activities**

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

€'000	<b>2013</b>	<b>2012</b>
Loans and advances to customers	17,360	17,713
<i>Fiduciary assets</i>	<i>17,360</i>	<i>17,713</i>
Deposits from customers	17,360	17,713
<i>Fiduciary liabilities</i>	<i>17,360</i>	<i>17,713</i>

**(44) Disclosure of bonds and other fixed-interest securities and of bonds issued by the Raiffeisenlandesbank NÖ-Wien AG made in accordance with § 64 (1) Z. 7 BWG**

Bonds and other fixed-interest securities and bonds issued by *Raiffeisenlandesbank NÖ-Wien AG* maturing in the year following the balance sheet date broke down as follows:

€'000	<b>2013</b>	<b>2012</b>
a) Receivables arising from bonds and other fixed-interest securities	478,830	924,169
b) Payables arising from bonds issued by the Group	1,250,305	628,946

**(45) Disclosure of securities admitted for trading on an exchange made in accordance with § 64 (1) Z. 10 BWG**

€'000	<b>2013</b>	<b>2012 Listed</b>	<b>2013</b>	<b>2012 Unlisted</b>
Bonds and other fixed-interest securities	2,309,789	4,280,799	0	0
Shares and other variable-yield securities	87,829	168,754	0	0

**(46) Disclosure of financial investments made in accordance with § 64 (1) Z. 11 BWG**

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

€'000	<b>2013</b>	<b>2012</b>
a) Bonds and other fixed-interest securities	1,526,847	2,443,874
b) Shares and other variable-yield securities	68,741	157,020

Subject to the legal requirements, classification as financial investments or current financial assets in accordance with the investment strategy was carried out by the Managing Board or by committees delegated by the Managing Board, depending on the decision.

**(47) Disclosure of (nominal) holdings in the trading book made in accordance with § 22 BWG**

€'000	<b>2013</b>	<b>2012</b>
Fixed-interest securities, nominal values	24,543	160,434
Shares, investment certificates, participation notes (Genussrecht), market prices	0	1,294
Other financial instruments (derivatives, face values)	7,168,152	9,507,620

**(48) Regulatory own funds**

There follows a presentation of the own funds of *Raiffeisenlandesbank NÖ-Wien AG* in accordance with § 23 BWG (calculation of own funds at the level of the individual institution). *Raiffeisenlandesbank NÖ-Wien AG* was part of the credit institution group (*Kreditinstitutsgruppe*) of *Raiffeisen-Holding NÖ-Wien*. The calculation of regulatory own funds in accordance with § 24 BWG in conjunction with § 30 BWG (calculation of the own funds of the credit institution group)

was the responsibility of the superordinate institution, which was *Raiffeisen-Holding NÖ-Wien*. Consequently, the regulatory own funds of the credit institution group are presented in the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien*.

Regulatory own funds are presented in the Consolidated Financial Statements of *Raiffeisenlandesbank NÖ-Wien AG* at the level of the individual institution.

€'000	2013	2012
Paid-in capital	723,432	723,432
Earned capital	787,009	790,449
Intangible assets	(7,438)	(8,780)
<b>Tier 1 capital</b>	<b>1,503,003</b>	<b>1,505,101</b>
Deductions from Tier 1 capital	(25,162)	(38,248)
<b>Eligible Tier 1 capital (after deductions)</b>	<b>1,477,841</b>	<b>1,466,853</b>
Supplementary capital within the meaning of § 23 Abs.1 Z 5 BWG	229,323	249,214
Hidden reserves	90,043	85,402
Supplement in respect of amounts guaranteed	0	0
Long-term subordinated debt capital	672,860	338,662
<b>Additional own funds</b>	<b>992,226</b>	<b>673,278</b>
Deductions from additional own funds	(25,162)	(38,248)
<b>Ancillary own funds (after deductions)</b>	<b>967,064</b>	<b>635,030</b>
<b>Eligible own funds</b>	<b>2,444,906</b>	<b>2,101,883</b>
Tier 3 capital	14,721	13,728
<b>Total own funds</b>	<b>2,459,627</b>	<b>2,115,611</b>
Surplus own funds	1,442,588	977,279
Surplus own funds ratio, %	141.84	85.85
<b>Tier 1 ratio (credit risk), %</b>	<b>12.48</b>	<b>10.96</b>
<b>Total Tier 1 ratio, %</b>	<b>11.62</b>	<b>10.31</b>
<b>Own funds ratio (credit risk), %</b>	<b>20.77</b>	<b>15.81</b>
<b>Total own funds ratio, %</b>	<b>19.35</b>	<b>14.87</b>

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

The total own funds requirements was made up as follows:

€'000	<b>2013</b>	<b>2012</b>
<i>Own funds requirement</i>		
Credit risk pursuant to § 22 (2) BWG	947,569	1,070,618
Trading book pursuant to § 22o (2) BWG	14,721	13,728
Operational risk pursuant to § 22i BWG	54,748	53,986
<b>Total own funds requirement</b>	<b>1,017,038</b>	<b>1,138,332</b>
<i>Basis of assessment (credit risk) pursuant to § 22 (2) BWG</i>		
	<b>11,844,613</b>	<b>13,382,725</b>
<i>Basis of assessment (total risk)</i>		
	<b>12,712,975</b>	<b>14,229,150</b>

Information required to be disclosed pursuant to § 26 und § 26a BWG and the *Offenlegungsverordnung* (Austrian disclosures directive) has been published by the superordinate credit institution, *Raiffeisen-Holding NÖ-Wien*, on its web-

site at [www.rhnoew.at](http://www.rhnoew.at). The relevant information pertaining to *Raiffeisenlandesbank NÖ-Wien AG* has been published on its website at [www.rlbnoew.at](http://www.rlbnoew.at).

#### *(49) Average number of staff*

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

	<b>2013</b>	<b>2012</b>
White collar	1,273	1,285
<b>Total</b>	<b>1,273</b>	<b>1,285</b>

**(50) Events after the balance sheet date and approval of the consolidated financial statements**

On 21 January 2014, RBI announced its intention of strengthening its capital base by issuing new shares. The first stage of this capital increase was an offering of new shares to selected institutional investors through an accelerated book-building procedure (pre-placement). Placement took place on 22 January 2014.

The subscription and offer price was €28.50 per new share. As a result, the transaction raised gross proceeds of roughly €2.78 billion. The capital increase significantly enlarged RBI's free float to roughly 39.3 per cent at the cutoff date of 11 February 2014. RZB remained the principal shareholder with roughly 60.7 per cent of the shares. RBI plans to use the proceeds from the capital increase to repay the entirety of its non-voting non-ownership 'participation' capital (*Partizipationskapital*) in the amount of €2.5 billion, including the share of €1.75 billion subscribed by the Republic of Austria.

One important reason for the capital increase was to strengthen RBI's equity base to conform to the new Basel III regime (CRR).

Among other things, the publication of the *Stabilitätsabgabegesetz* (Austrian stability levy act) 2014 in the *Bundesgesetzblatt* (federal gazette) of 28 February 2014 standardized a substantial hike in the stability levy from 2014. As a result of the revision, the burden of the stability levy on *Raiffeisenlandesbank NÖ-Wien AG* will increase by about 33.3 per cent and amount to roughly €25.4 million in 2014 and roughly €25.1 million in 2015 (the figure for 2015 being based on current planning figures).

Ukraine's political and economic situation worsened considerably in the first few weeks of 2014. This increased Ukraine's budget deficit, dented the Ukrainian national bank's

currency reserves and harmed Ukraine's government bond rating. The national bank responded by introducing stricter exchange controls and amending its exchange rate policy. *Raiffeisenlandesbank NÖ-Wien AG* has not been directly affected by developments in the Ukraine. The effects on the financial position and assets and liabilities of *Raiffeisen Bank International AG* and its Ukrainian subsidiary *Raiffeisen Bank Aval* were not yet foreseeable at the copy deadline date. However, depreciation of the hryvna did cause negative exchange differences in RZB's equity account.

The tensions in the region affected Russia too, where uncertainty also led to a fall in prices on the Moscow Stock Exchange and depreciation of the Russian ruble by about 10 per cent against the US dollar. *Raiffeisenlandesbank NÖ-Wien AG* has lent a manageable amount to Russian companies and banks. Given the composition of the portfolio and our customers' credit standings, we do not anticipate any loan defaults as things stand at the moment. All our receivables from Russian banks are the result of short-term letters of credit and loans with remaining durations of less than a year.

However, depreciation of the ruble did create negative exchange differences in RZB's equity account. At the time of preparation of the Annual Financial Statements, movements in the exchange rates of all the currencies of relevance to RZB had reduced its 'hard' common equity Tier 1 ratio (CET1) by roughly 25 basis points.

The Consolidated Financial Statements were completed by the Managing Board during the Managing Board meeting on 31 March 2014 and released for submission to the Supervisory Board for further examination. The Consolidated Financial Statements were presented to the Supervisory Board for approval during the Supervisory Board meeting on 10 April 2014.

### Overview of Equity Investments (pursuant to § 265 (2) UGB)

The tables below present *Raiffeisenlandesbank NÖ-Wien AG*'s equity investments.

#### *(51) Consolidated subsidiaries*

Entity, Registered Office	Subscribed capital	Currency	2013 Percentage Held	2012 Percentage Held	Type
"ARSIS" Beteiligungs GmbH, Vienna	140,000	EUR	100	100	OT
"BARIBAL" Holding GmbH, Vienna	105,000	EUR	100	100	OT
Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs GmbH, Vienna	250,000	EUR	80	80	OT
RLB NÖ-Wien Holding GmbH, Vienna	70,000	EUR	100	100	OT
RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna	35,000	EUR	100	100	OT

#### *(52) Entities accounted for in the consolidated financial statements using the equity method*

Entity, Registered Office	Subscribed capital	Currency	2013 Percentage Held	2012 Percentage Held	Type
Raiffeisen Informatik GmbH, Vienna	1,460,000	EUR	47.65	47.75	OT
Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna	492,466,423	EUR	34.74	34.74	BA

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

€m	2013	2012
Assets	148,284	146,701
Liabilities	136,409	134,432
Revenues (non-banking)	1,545	1,577
Net interest income (banking)	3,931	3,531
Profit for the year after tax (before minority interests)	770	638



*(53) Unconsolidated subsidiaries*

Entity, Registered Office (Country)	Subscribed capital	Currency	2013 Percentage Held	2012 Percentage Held	Type
"AKTUELL" Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna	73,000	EUR	100.00	100.00	OT
"PRUBOS" Beteiligungs GmbH, Vienna	35,000	EUR	100.00	100.00	OT
"RUFUS" Beteiligungs GmbH, Vienna	146,000	EUR	100.00	100.00	OT
"TEMISTO" Beteiligungs GmbH, Vienna	35,000	EUR	100.00	100.00	OT
"TOJON" Beteiligungs GmbH, Vienna	70,000	EUR	100.00	100.00	OT
Baureo Projektentwicklungs GmbH, Vienna	35,000	EUR	100.00	100.00	OT
Inox Produkthandel GmbH (in liquidation), Mödling	-	-	100.00	---	OT
KREBEG Finanzierungsberatungs GmbH, Vienna	35,000	EUR	95.00	95.00	OT
Kurt Spitzer Gesellschaft m.b.H. (bankruptcy proceedings), Mödling	-	-	100.00	---	OT
MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, Vienna	400,000	EUR	75.00	75.00	OT
NÖ Raiffeisen Kommunalservice Holding GmbH, Vienna	36,000	EUR	100.00	100.00	OT
Purator CEE Kft, Budapest (H) <sup>2</sup>	35,000	EUR	100.00	100.00	OT
Purator CEE Kft, Budapest (H) <sup>2</sup>	108,280,000	HUF	100.00	---	OT
Purator Ekotehnika d.o.o., Belgrad (SRB) <sup>2</sup>	14,453,000	RSD	100.00	---	OT
Purator Hrvatska d.o.o. (in Liquidation), Zagreb (HR)	-	-	100.00	---	OT
Purator Hungaria Kft., Budapest (H) <sup>2</sup>	117,500,000	HUF	100.00	---	OT
PURATOR International GmbH, Wiener Neudorf	84,680	EUR	100.00	---	OT
Purator Polska Ekotechnika Sp. z o.o., Warschau (PL) <sup>2</sup>	200,000	PLN	97.50	---	OT
Purator Systems s.r.l., Bukarest (RO) <sup>2</sup>	188,128	RON	100.00	---	OT
Raiffeisen Analytik GmbH, Vienna	100,000	EUR	99.60	99.60	OT
Raiffeisen Beratung direkt GmbH, Vienna	37,000	EUR	100.00	100.00	BR
Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Vienna	35,000	EUR	100.00	100.00	OT
Raiffeisen Netzwerk GmbH, Vienna	35,000	EUR	100.00	---	OT
Raiffeisen NÖ-W Einkaufs- und Beschaffungs GmbH & Co KG, Vienna	---	---	---	---	OT
Raiffeisen NÖ-W Einkaufs- und Beschaffungs GmbH, Vienna	70,000	EUR	100.00	100.00	OT
Raiffeisen Versicherungs- und Bauspar-Agentur GmbH, Vienna	70,000	EUR	100.00	100.00	OT
Raiffeisen-Einlagensicherung Nieder- österreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna	41,856	EUR	98.59	98.40	OT
RALV Holding GmbH, Vienna	37,000	EUR	100.00	100.00	OT
RLB Businessconsulting GmbH, Vienna	35,000	EUR	100.00	100.00	OT
RLB NÖ-W Factoring Beteiligungs GmbH, Vienna	70,000	EUR	100.00	100.00	OT
RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna	35,000	EUR	100.00	100.00	OT
TIONE Altbau-Entwicklung GmbH, Vienna	37,000	EUR	100.00	100.00	OT
Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Graz	50,000	EUR	100.00	100.00	OT

**(54) Other equity investments**

Associates not accounted for using the equity method:

Entity, Registered Office	Subscribed capital	Currency	2013 Percentage Held	2012 Percentage Held	Type
Central Danube Region Marketing & Development GmbH, Vienna	200,000	EUR	50.00	50.00	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, Vienna	---	---	---	---	FI
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna	36,400	EUR	40.00	40.00	OT
ecoplus International GmbH, Vienna	35,000	EUR	30.00	30.00	OT
NÖ Beteiligungsfinanzierungen GmbH, Vienna	1,816,821	EUR	29.00	29.00	BA
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna	50,000	EUR	74.00	74.00	FI
Raiffeisen Software Solution und Service GmbH, Vienna	773,000	EUR	37.83	37.83	OT
Raiffeisen-Leasing Managment GmbH, Vienna	300,000	EUR	21.56	21.56	FI
Raiffeisen-Leasing Österreich GmbH, Vienna	100,000	EUR	32.34	32.34	FI
RSC Raiffeisen Service Center GmbH, Vienna	2,000,000	EUR	25.01	25.01	OT

KEY:

Entity type

- BA Bank
- BR Entity rendering banking-related ancillary services
- FH Financial holding company
- FI Other financial institution
- OT Other

1 Partner with unlimited liability.

2 Werte per 31. Dezember 2012

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

*(55) Entities related via parent Raiffeisen Holding NÖ-Wien*

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

"ADELANTE" Holding GmbH, Vienna  
 "ALDOS" Beteiligungs GmbH, Vienna  
 "ALMARA" Holding GmbH, Wien  
 "ARSIS" Beteiligungs GmbH, Vienna  
 "BARIBAL" Holding GmbH, Vienna  
 "BASCO" Beteiligungs GmbH, Vienna  
 "BELLAGIO" Holding GmbH, Vienna  
 "BORTA" Holding GmbH, Vienna  
 "CRIOLLA" Beteiligungs GmbH, Vienna  
 "DIMALO" Beteiligungs GmbH, Vienna  
 "EMERIA" Beteiligungs GmbH, Vienna  
 "ERCOM" Beteiligungs GmbH, Vienna  
 "FILIUS" Holding GmbH, Vienna  
 "HELANE" Beteiligungs GmbH, Vienna  
 "LAREDO" Beteiligungs GmbH, Vienna  
 "LOMBA" Beteiligungs GmbH, Vienna  
 "MORUS" Beteiligungs GmbH, Vienna  
 "NESSOS" Beteiligungs GmbH, Vienna  
 "Octavia" Holding GmbH, Vienna  
 "OLIGO" Holding GmbH, Vienna  
 "PIANS" Beteiligungs GmbH, Vienna  
 "PINUS" Liegenschaftsverwaltungs GmbH, Vienna  
 "PROCAS" Holding GmbH, Vienna  
 "PROKAP" Beteiligungs GmbH, Vienna  
 "RASKIA" Beteiligungs GmbH, Vienna  
 "RUMOR" Holding GmbH, Vienna  
 "SEPTO" Beteiligungs GmbH, Vienna  
 "TALIS" Holding GmbH, Vienna  
 "URUBU" Holding GmbH, Vienna  
 AMPA s.r.o., Pardubice (CZ)  
 AURORA MÜHLE HAMBURG GmbH, Hamburg (D)  
 AURORA MÜHLEN GMBH, Hamburg (D)  
 BLR-Baubeteiligungs GmbH., Vienna  
 Botrus Beteiligungs GmbH, Vienna  
 cafe+co Delikommat Sp. z o.o., Bielsko-Biala (PL)  
 cafe+co Deutschland GmbH, Regensburg (D)  
 cafe+co International Holding GmbH, Vienna  
 cafe+co Itál - és Étélautomata Kft., Alsónémedi (H)  
 café+co Österreich Automaten-Catering und Betriebsverpflegung Ges.m.b.H. (formerly Delikommat Betriebsverpflegung Gesellschaft m.b.H.), Vienna

DELIKOMAT d.o.o., Čačak (formerly Belgrad), (SRB)  
DELIKOMAT d.o.o., Marburg (SLO)  
Delikommat s.r.o., Brünn (CZ)  
DELTA MLÝNY s.r.o., Kyjov (CZ)  
Diamant International Malom Kft., Baja (H)  
DZR Immobilien und Beteiligungs GmbH, Vienna  
Estezet Beteiligungsgesellschaft m.b.H., Vienna  
Eudamonia Projektentwicklungs GmbH, Vienna  
FIDEVENTURA Beteiligungs GmbH, Vienna  
Frischlogistik und Handel GmbH, Baden bei Wien  
GoodMills Bulgaria EAD (formerly Sofia Mel EAD), Sofia (BG)  
GoodMills Česko a.s. (formerly UNIMILLS a.s.), Prag (CZ)  
GoodMills Group GmbH, Vienna  
GoodMills Magyarország Zrt. (formerly PANNONMILL Malomipari Zrt.), Komárom (H)  
GoodMills Österreich GmbH (formerly Erste Wiener Walzmühle Vonwiller Gesellschaft m.b.H.), Schwechat  
GoodMills Polska Grodzisk Wielkopolski Sp. z o.o., Grodzisk Wielkopolski (PL)  
GoodMills Polska Kutno Sp. z o.o., Kutno (PL)  
GoodMills Polska Sp. z o.o., Poznań (PL)  
KAMPPFMEYER Food Innovation GmbH, Hamburg (D)  
Kampffmeyer Mühlen GmbH, Hamburg (D)  
KURIER Beteiligungs-Aktiengesellschaft, Vienna  
Latteria NÖM s.r.l., Mailand (I)  
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna  
Marchfelder Zuckerfabriken Gesellschaft m.b.H., Vienna  
MAZ Beteiligungs GmbH, Vienna  
Mecklenburger Elde-Mühlen GmbH, Hamburg (D)  
Medicur - Holding Gesellschaft m.b.H., Vienna  
Medicur Sendeanlagen GmbH, Vienna  
Mona Hungary Kft., Budapest (H)  
Müller's Mühle GmbH, Gelsenkirchen (D)  
NBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H., Vienna  
Niederösterreichische Milch Holding GmbH, Vienna  
NÖM AG, Baden bei Wien  
NÖM International AG, Baden bei Wien  
Nordland Mühlen GmbH, Jarmen (D)  
Obere Donaustraße Liegenschaftsbesitz GmbH, Vienna  
PBS Immobilienholding GmbH, Vienna  
Printmedien Beteiligungsgesellschaft m.b.H., Vienna  
Raiffeisen Agrar Holding GmbH, Vienna  
Raiffeisen Agrar Invest GmbH, Vienna  
Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs GmbH, Vienna  
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna  
RARITAS Holding GmbH, Vienna

RENERGIE Raiffeisen Managementgesellschaft für erneuerbare Energie GmbH, Vienna  
RH Finanzberatung und Treuhandvertrag Gesellschaft m.b.H., Vienna  
RH Finanzbeteiligungs GmbH, Vienna  
RH WEL Beteiligungs GmbH, Vienna  
RHG Holding GmbH, Vienna  
RLB NÖ-Wien Holding GmbH, Vienna  
RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna  
Rosenmühle GmbH, Ergolding (D)  
Rossauer Lände 3 Immobilienprojektentwicklung GmbH, Vienna  
Schüttmühle Berlin GmbH, Berlin (D)  
St. Leopold Liegenschaftsverwaltungs- und Beteiligungsgesellschaft m.b.H., Vienna  
TITAN S.A., Pantelimon (RO)  
TOP-CUP Office-Coffee-Service Vertriebsgesellschaft m.b.H., Klagenfurt  
TOV Regionprodukt, Gnidin (UA)  
VK Beteiligungsgesellschaft mbH, Hamburg (D)  
VK Grundbesitz GmbH, Hamburg (D)  
VK Mühlen Aktiengesellschaft, Hamburg (D)  
WALDSANATORIUM PERCHTOLDSDORF GmbH, Salzburg  
Windpark HAGN GmbH & Co. KG, Vienna  
Zucker Invest GmbH, Vienna  
Zucker Vermögensverwaltungs GmbH, Vienna  
Zucker-Beteiligungsgesellschaft m.b.H., Vienna  
Zuckermarkt - Studiengesellschaft m.b.H., Vienna

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

ARANJA Beteiligungs GmbH, Vienna  
BANUS Beteiligungs GmbH, Vienna  
BENEFICIO Holding GmbH, Vienna  
CLEMENTIA Holding GmbH, Vienna  
CREMBS GmbH, Vienna  
ELIGIUS Holding GmbH, Vienna  
EUSEBIO Beteiligungs GmbH, Vienna  
GULBIS Beteiligungs GmbH, Vienna  
MAURA Immobilien GmbH, Vienna  
SANSARA Holding GmbH, Vienna  
SERET Beteiligungs GmbH, Vienna  
SEVERUS Beteiligungs GmbH, Vienna  
AlfaPark s.r.o., Bratislava (SK)  
BENIGNITAS GmbH, Vienna  
Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH, Hamburg (D)  
Bioenergie Orth a. d. Donau GmbH, Vienna  
Biogasanlage Wolmirstedt GmbH & Co. KG (formerly REENERGIE - Wolmirstedt GmbH & Co. KG), Leipzig (D)<sup>1</sup>  
Biogasanlage Wolmirstedt Verwaltungs GmbH, Bremen (D)  
C - Holding s.r.o., Modrice (CZ)  
cafe+co Cafe GmbH, Vienna  
Café+Co Rus, ZAO, Moskau (RU)  
CAFE+CO Timisoara S.R.L., Timisoara (RO)  
DELIKOMAT d.o.o., Tomislavgrad (BiH)  
DELIKOMAT d.o.o., Zagreb (HR)  
Delikomat Slovensko spol. s r.o., Bratislava (SK)  
Diana Slovakia spol. s r.o., Bratislava (SK)  
Dritte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)<sup>1</sup>  
Druhá slnečná s.r.o., Bratislava (SK)  
Echion Projektentwicklungs GmbH, Vienna  
Erste Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)<sup>1</sup>  
Farina Marketing d.o.o., Laibach (SLO)  
Fünfte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)<sup>1</sup>  
Gesundheitspark St. Pölten Errichtungs- und Betriebs GmbH, Vienna  
Haldenhof Liegenschaftsverwaltungs- und -verwertungsges.m.b.H., Vienna (A)  
HEFRA solarpark development s.r.o., Lipová (CZ)  
Holz- und Energiepark Vitis GmbH, Vienna  
Kampfmeier Food Innovation Polska Sp. z o.o., Poznan (PL)  
Kasernen Immobilienerichtungsgesellschaft mbH, Vienna  
KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna  
La Cultura del Caffè Gesellschaft m.b.H., Krems a. d. Donau  
MID 5 Holding GmbH, Vienna

Müfa Mehl und Backbedarf Handelsgesellschaft mbH, Hamburg (D)  
Neuß & Wilke GmbH, Gelsenkirchen (D)  
PBS Immobilienprojektentwicklungs GmbH, Vienna  
RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna  
Raiffeisen Vorsorgewohnungserichtungs GmbH, Vienna  
Raiffeisen-Reisebüro Gesellschaft m.b.H., Vienna  
RENERGIE - Windpark Zistersdorf Ost GmbH, Vienna  
RENERGIE Carbex Trade GmbH, Vienna  
RENERGIE Carbon GmbH, Vienna  
RENERGIE Dorf Mecklenburg GmbH & Co. KG, Wetterzeube OT Trebnitz (D)<sup>1</sup>  
RENERGIE green solutions GmbH, Wetterzeube OT Trebnitz (D)  
RENERGIE green solutions Management GmbH, Wetterzeube OT Trebnitz (D)  
RENERGIE Korgau GmbH, Wetterzeube OT Trebnitz (D)  
RENERGIE Lübars GmbH & Co. KG, Wetterzeube OT Trebnitz (D)<sup>1</sup>  
RENERGIE Sechste Biogas Falkenhagen GmbH & Co. KG, Wetterzeube OT Trebnitz (D)<sup>1</sup>  
RENERGIE Solárny park Bánovce nad Ondavou s.r.o., Bratislava (SK)  
RENERGIE Solárny park Bory s.r.o., Bratislava (SK)  
RENERGIE Solárny park Budolv s.r.o., Bratislava (SK)  
RENERGIE Solárny park Dulovo s.r.o., Bratislava (SK)  
RENERGIE Solárny park Gemer s.r.o., Bratislava (SK)  
RENERGIE Solárny park Gomboš s.r.o., Bratislava (SK)  
RENERGIE Solárny park Hodejov s.r.o., Bratislava (SK)  
RENERGIE Solárny park Holding SK I, a.s., Bratislava (SK)  
RENERGIE Solárny park Holding SK II, a.s., Bratislava (SK)  
RENERGIE Solárny park Horné Turovce s.r.o., Bratislava (SK)  
RENERGIE Solárny park Hurbanovo s.r.o., Bratislava (SK)  
RENERGIE Solárny park Jesenské s.r.o., Bratislava (SK)  
RENERGIE Solárny park Kalinovo s.r.o., Bratislava (SK)  
RENERGIE Solárny park Lefantovce s.r.o., Bratislava (SK)  
RENERGIE Solárny park Michalovce s.r.o., Bratislava (SK)  
RENERGIE Solárny park Nižná Pokoradz s.r.o., Bratislava (SK)  
RENERGIE Solárny park Nižný Skálnik, s.r.o., Bratislava (SK)  
RENERGIE Solárny park Otročok s.r.o., Bratislava (SK)  
RENERGIE Solárny park Paňovce s.r.o., Bratislava (SK)  
RENERGIE Solárny park Riečka s.r.o., Bratislava (SK)  
RENERGIE Solárny park Rimavská Sobota s.r.o., Bratislava (SK)  
RENERGIE Solárny park Rimavské Jánovce s.r.o., Bratislava (SK)  
RENERGIE Solárny park Rohov s.r.o., Bratislava (SK)  
RENERGIE Solárny park Starňa s.r.o., Bratislava (SK)  
RENERGIE Solárny park Uzovská Panica s.r.o., Bratislava (SK)  
RENERGIE Solárny park Včelince 2 s.r.o., Bratislava (SK)  
RENERGIE Solárny park Zemplínsky Branč s.r.o., Bratislava (SK)  
RENERGIE Wilsickow I GmbH & Co. KG, Wetterzeube OT Trebnitz (D)<sup>1</sup>

RENERGIE WINDPARK DEUTSCH HASLAU GmbH, Vienna  
RENERGIE-ÖKOENERGIE Projektentwicklungs GmbH, Vienna  
RHU Beteiligungsverwaltung GmbH & Co OG, Vienna<sup>1</sup>  
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna  
Schilling GmbH, Mannheim (D)  
SL03 s.r.o., Bratislava (SK)  
St. Hippolyt Beteiligungs-GmbH, Vienna  
TECHBASE Science Park Vienna GmbH, Vienna  
Techno-Park Tulln GmbH, Wiener Neudorf  
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, Gelsenkirchen (D)  
Theranda Entwicklungsgenossenschaft für den Kosovo registrierte Genossenschaft mit beschränkter Haftung, Vienna  
TOP CUP Deutschland office-coffee Service GmbH (in liquidation), Regensburg (D)  
Vierte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)<sup>1</sup>  
Waldviertel Immobilien-Vermittlung GmbH, Zwettl  
Windpark HAGN GmbH, Vienna  
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna  
ZetaPark Lefantovce s.r.o., Bratislava (SK)  
ZetaPark s.r.o., Bratislava (SK)  
Zweite Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)<sup>1</sup>

<sup>1</sup> Partner with unlimited liability.



## Boards and Officers

### *Managing Board:*

Chairman:

Klaus BUCHLEITNER (CEO)

Deputy Chairman:

Georg KRAFT-KINZ (Deputy CEO)

Members:

Mag. Andreas FLEISCHMANN (Member of the Managing Board), (since 1 September 2013)

Reinhard KARL (Member of the Managing Board)

Mag. Michael RAB (Member of the Managing Board)

Gerhard REHOR (Member of the Managing Board),  
(to 30 June 2013)

### *Supervisory Board:*

Chairman:

Christian KONRAD

Deputy Chairman:

Erwin HAMESEDER

Johann VIEGHOFER

Members:

Anton BODENSTEIN

Veronika MICKEL-GÖTTFERT

Alfons NEUMAYER

Johann PLACHWITZ

Gerhard PREISS

Christian RESCH

Brigitte SOMMERBAUER

Staff Council delegates:

Johann AMON

Anita BUCHGRABER (to 11 March 2013)

Wolfgang EINSPIELER (to 11 March 2013)

Anton HECHTL

Michael HOFER

Sibylla WACHSLER

State commissioners:

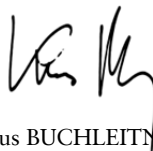
Alfred LEJSEK

Bernhard MAZEGGER

# Declaration by the Managing Board

The Managing Board of RLB NÖ-Wien completed these Consolidated Financial Statements on 31 March 2014 in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union. The provisions of enterprise law that were, in addition, applicable under § 245a UGB in conjunction with § 59a BWG were taken into account. The Group Management Report was prepared in accordance with the provisions of Austrian enterprise law and is consistent with the Consolidated Financial Statements.

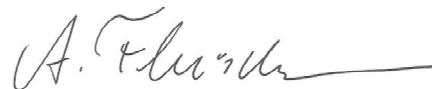
The Managing Board



Klaus BUCHLEITNER  
CEO



Georg KRAFT-KINZ  
Deputy CEO



Andreas FLEISCHMANN  
Member of the Managing Board



Michael RAB  
Member of the Managing Board

Reinhard KARL  
Member of the Managing Board

The Managing Board released the Consolidated Financial Statements for submission to the Supervisory Board on 31 March 2014.

# Auditor's Report

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

*RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Wien,*

for the financial year from **1 January to 31 December 2013 together with the accounting system**. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2013, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2013 and notes on the consolidated financial statements.

### ***Management's responsibility for the consolidated financial statements and for the accounting system***

The company's management was responsible for the group accounting system and for the preparation of consolidated financial statements that present fairly, in all material respects, the group's assets, liabilities, financial position and profit or loss in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of § 245a UGB and § 59a BWG. This responsibility included: designing, implementing and maintaining internal control relevant to the preparation of the consolidated financial statements and fair presentation, in all material respects, of the group's assets, liabilities, financial position and profit or loss to ensure that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Responsibility of the auditor of the consolidated financial statements and description of type and scope of the statutory audit***

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

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

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

### ***Opinion***

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the assets, liabilities and financial position of the Group as of

31 December 2013 and of its profit or loss and cash flows for the financial year from 1 January to 31 December 2013 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

***Report on the consolidated management report***

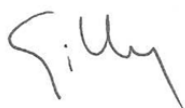
Pursuant to the statutory provisions applicable in Austria, the consolidated management report must be audited to ascertain whether it is consistent with the consolidated financial statements and whether the other disclosures in the consolidated management report are not misleading with respect to the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

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

Vienna  
31 March 2014

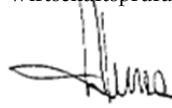
As the Auditors appointed by *Österreichischer Raiffeisenverband*:

*Verband* Auditor

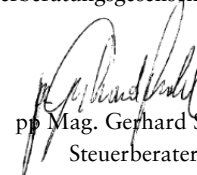


Mag. Andreas Gilly  
Wirtschaftsprüfer

KPMG Austria AG  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Wilhelm Kovsca  
Wirtschaftsprüfer



pp Mag. Gerhard Strobl  
Steuerberater

(Austrian Chartered Accountants)

(Tax Advisor)

The publication and dissemination of the consolidated financial statements with our Auditor's Report is only permitted in the version certified by us. When preparing different versions (e.g. shortened versions and translations into a different language), the provisions of § 281 Abs. 2 UGB must be observed.

This report is a translation of the original report in German, which is the only valid version

# Glossary

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

**Basel II** – The body of capital adequacy requirements proposed in recent years by the Basel Committee, which is an international forum set up to improve banking supervision. EU directives 2006/48/EC and 2006/49/EC have required these requirements to be applied to every bank and other financial service provider in the Member States of the European Union since 1 January 2007. As in the case of Basel I, the goals are to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The principal objective of the changes made by Basel II compared with Basel I is to orientate governmental capital adequacy requirements more closely to actual risk and, therefore, to the capital requirements calculated internally by banks.

**Basel III** – The Basel II framework has been enlarged on the basis of the experience gained and lessons learnt from the financial and economic crisis. The aim was to better match the risks incurred to a bank's risk-bearing capacity (derived from the amount and quality of its capital resources). In the EU, the new Basel III capital adequacy framework was implemented by the CRR – Capital Requirements Regulation – and the CRD IV – Capital Requirements Directive IV – and published on 27 June 2013.

**Basis of assessment** – The risk-weighted basis of assessment pursuant to § 22 BWG (see *Risk-weighted assets*).

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

**CRR/CRD IV** – The CRR – Capital Requirements Regulation – and CRD IV – Capital Requirements Directive IV – were

adopted by the EU on 27 June 2013. They constitute the new regulatory framework for capital adequacy, leverage and liquidity ratios. Whereas the new capital adequacy ratios have been applicable since 1 January 2014, the liquidity and leverage ratios are expected to be applicable from 2015 and 2018, respectively. Introduction of these regulations will be supplemented by further technical standards issued by the EBA (European Banking Authority).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**NPL (non-performing loan)** – A non-performing loan is a loan that is in default or close to being in default.

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

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

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

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

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

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

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

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

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

## Publication Details

### Information in the Internet

Raiffeisenlandesbank Niederösterreich-Wien AG's website provides detailed, up-to-date information about Raiffeisen at [www.raiffeisenbank.at](http://www.raiffeisenbank.at). The 2013 Annual Report is also available in the Internet at [www.raiffeisenbank.at](http://www.raiffeisenbank.at).

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