SEMI-ANNUAL FINANCIAL REPORT 2014

IFRS-COMPLIANT SEMI-ANNUAL CONSOLIDATED MANAGEMENT REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Raiffeisenlandesbank Niederösterreich-Wien

Survey of Key Data

IFRS-Compliant Consolidated Interim Financial Statements of Raiffeisenlandesbank NÖ-Wien

Monetary values are in €m	2014	+/(–) Change	2013
Consolidated Income Statement	*1/1–30/6*		*1/1–30/6*
Net interest income after impairment charge	45.2	29.5%	34.9
Net fee and commission income	34.8	(0.7%)	35.1
Net trading income	0.3	–	(0.3)
Profit from investments in entities accounted for using the equity method	73.3	(18.6%)	90.0
General administrative expenses	(99.5)	2.5%	(97.1)
Profit for the period before tax	48.6	(46.0%)	90.1
Profit for the period after tax (attributable to equity holders of the parent)	62.5	(33.2%)	93.5
Consolidated Balance Sheet	*30/6*		*31/12*
Loans and advances to other banks	8,195	(4.4%)	8,576
Loans and advances to customers	10,802	(1.8%)	11,005
Deposits from other banks	8,624	(4.5%)	9,029
Deposits from customers	7,905	(4.5%)	8,280
Equity (incl. profit)	2,292	(2.7%)	2,355
Consolidated assets	28,634	(1.5%)	29,070
Regulatory Information*	*30/6*		*31/12*
Risk-weighted basis of assessment	11,706	n/a*	11,845
Total own funds	2,920	n/a*	2,460
Own funds requirement	1,028	n/a*	1,017
Surplus own funds ratio	183.9%	n/a*	141.8%
Tier 1 ratio (credit risk)	n/a*	n/a*	12.5%
Common equity Tier 1 ratio	16.3%	n/a*	n/a*
Total Tier 1 ratio	16.3%	n/a*	11.6%
Total own funds ratio	22.7%	n/a*	19.3%
Performance Indicators	*1/1–30/6*		*1/1–30/6*
Return on equity before tax	4.1%	(3.2 ppt)	7.3%
Consolidated return on equity	5.3%	(2.3 ppt)	7.6%
Consolidated cost:income ratio	56.4%	7.9 ppt	48.5%
Return on assets after tax	0.4%	(0.2 ppt)	0.6%
Risk:earnings ratio	45.9%	6.8 ppt	39.1%
Additional Information			
Staff Information	*1/1–30/6*		*1/1–30/6*
Employees (average full time equivalents)	1,205	(6.7%)	1,291
Information about Branches and Offices	*30/6*		*30/6*
Branches and offices	52	(14)	66
Moody's Ratings	***Long-term***	***Short-term***	***Financial strength***
	A3	P-2	D+

* *Raiffeisenlandesbank NÖ-Wien AG* does not make up a distinct *Kreditinstitutsgruppe* (credit institution group) within the meaning of the Austrian *Bankwesengesetz* (BWG: banking act) and as a group is not itself subject to the regulatory provisions governing banking groups because it is a part of the *Raiffeisen-Holding NÖ-Wien Kreditinstitutsgruppe*. The current figures were calculated for the *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* in conformity with the provisions of the Capital Requirements Regulation (CRR) and BWG. The prior-year figures are presented on the basis of the Basel II rules that were applicable at the time at the level of the individual institution (*Raiffeisenlandesbank NÖ-Wien AG*) and, consequently, are not comparable.

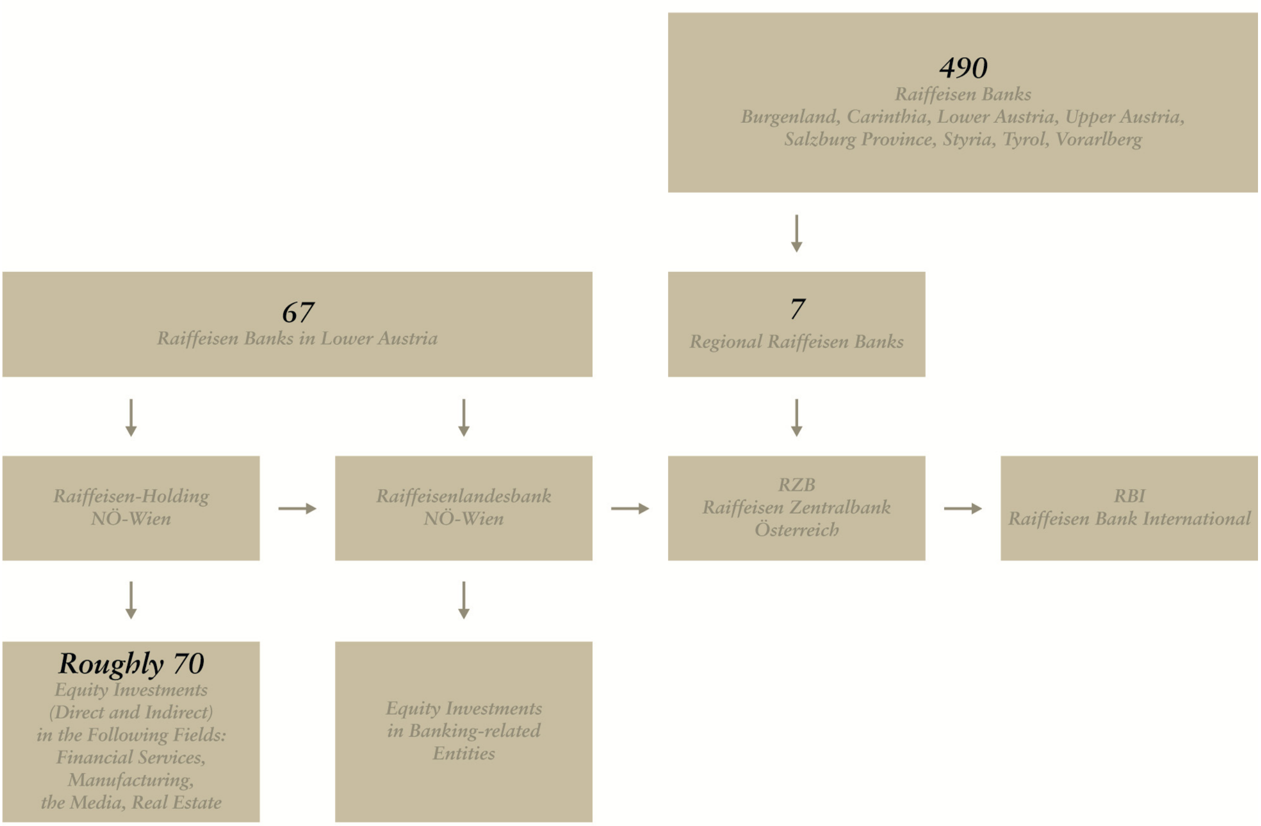
Contents

Company Profile

Raiffeisenlandesbank Niederösterreich-Wien AG (RLB NÖ-Wien) is a regional bank, a banking institution in the Austrian *Raiffeisen* organization and a commercial bank. Within Vienna, it advises and services its customer at 52 branches. Forty-one are retail banking branches, and it also has a private banking facility in Vienna's *Looshaus* building, five centres of excellence for trade and business customers and five offices that provide advice to *Raiffeisen* employees and staff members within the Austrian *Raiffeisen* organization. Business proprietors are serviced by corporate customer advisors directly at Head Office.

RLB NÖ-Wien is the banking institution within the *Raiffeisen NÖ-Wien* organization. As the organization's central institution, it supports and advises the 67 independent *Raiffeisen Banks* in Lower Austria. Together, they provide extensive support in every area of finance to some 1.2 million customers. The *Raiffeisen Banks* in Lower Austria make up Lower Austria's leading banking group with a customer share of 44 percent and 520 banking outlets. RLB NÖ-Wien is owned directly or indirectly by the *Raiffeisen Banks* in Lower Austria (with a 78.58 percent stake being held via *Raiffeisen-Holding NÖ-Wien*). As the principal shareholder (34.74 per cent) of *Raiffeisen Zentralbank Österreich AG* (RZB), RLB NÖ-Wien plays a guiding role in the organization of *Raiffeisenbankengruppe Österreich* (RBG Österreich: the Austrian *Raiffeisen* Banking Group). This is the country's foremost banking group with a market share of roughly 30 per cent (Chart: as at 1 January 2014).

The Austria Raiffeisen Banking Group



RBG Österreich is a three-tiered organization. It consists of the cooperatively organized, locally active *Raiffeisen Banks*, the *Regional Raiffeisen Banks* (*Raiffeisenlandesbanken*) and RZB.

RLB NÖ-Wien holds a material stake in *Raiffeisen Bank International AG* (RBI) via RZB. RBI has one of the biggest branch networks in Central and Eastern Europe made up of roughly 3,000 branches. Together, *RBG Österreich* and RBI employ approximately 85,000 people in Austria and abroad.

Raiffeisen NÖ-Wien is an important part of *RBG Österreich*. It consists of RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria as well as *Raiffeisen-Holding NÖ-Wien*, which is one of Austria's largest private holding companies. *Raiffeisen NÖ-Wien*'s equity investments are concentrated within *Raiffeisen-Holding NÖ-Wien*. As a cooperative, it is owned by its members. The *Raiffeisen Banks* in Lower Austria make up the most important group of members. *Raiffeisen-Holding NÖ-Wien* holds direct and indirect stakes in roughly 700 companies.

Overview of the Business Segments

RLB NÖ-Wien is divided into five business segments: Raiffeisen Banks and Management Services, Personal and Business Banking Customers, Corporate Customers, Financial Markets and Organization and Risk Management and Finance. In all, approximately 1,300 people work within those business segments at Head Office and at our branches and offices in Vienna.

Corporate Responsibility

Security, regionality and sustainable management are the traditional values that have shaped *Raiffeisen Austria* for nearly 130 years. Although economic and sociopolitical conditions have changed considerably during that period, *Raiffeisen* in Austria has always succeeded in interpreting this traditional value base in a modern way. Social and environmental responsibility are central elements of this values universe, and RLB NÖ-Wien too is committed to them. In concrete terms, this means that our enterprise:

- promotes public environmental awareness;
- strives to reduce harm to the environment within the scope of its own activities;
- accepts its responsibilities to society;
- aims to be a responsible and attractive employer.

Climate Protection

RLB NÖ-Wien is a member of the *Raiffeisen* Climate Protection Initiative (RKI) set up in 2007. RKI is a joint venture of *Raiffeisen* organizations that aims to advance environmental protection. *Raiffeisen*'s *EnergieSparTag* (Energy Saving Day) in Lower Austria, which takes place in February, is one of the annual fixtures in RLB NÖ-Wien's RKI calendar. During this event, we offer people free professional energy advice at *Raiffeisen* branches and offices.

Making Frugal Use of Resources

RLB NÖ-Wien does a wide range of things to further the RKI initiative. For instance, when buying new company cars, we are careful to ensure that their CO_2 emissions do not exceed the legal limit of 150g of CO_2 per kilometre. In addition, we have been raising employees' awareness of alternative means of transportation. Among other things, we provide them with company bicycles and e-bikes for short work-related journeys.

Corporate Social Responsibility

Cultural Sponsorship

RLB NÖ-Wien supports numerous cultural events in Vienna and Lower Austria, sponsoring well-known concert series like *Klassik unter Sternen* in Göttweig Abbey as well as theatres like *Theater in der Josefstadt*, *Kinder- und Jugendtheater Dschungel Wien* in the *MuseumsQuartier* complex and *Filmhof Weinviertel*.

Sports Sponsorship

In the sporting field, RLB NÖ-Wien mainly supports running events for a broad public like the *Business Run*, the *Raiffeisen Schlösser-Marathon* and the *Raiffeisen Fun Run*.

Social Responsibility

RLB NÖ-Wien is a sponsor of numerous social initiatives. They include the *Aktion Lernhaus* scheme, which provides educational support to children in Vienna and Lower Austria whose parents cannot afford private lessons for them. In addition, RLB NÖ-Wien has for many years been a partner of the *Licht ins Dunkel* campaign, the *Concordia* social projects and the Caritas charity's 'Cardinal König' sponsorship scheme for the *Gruft* refuge.

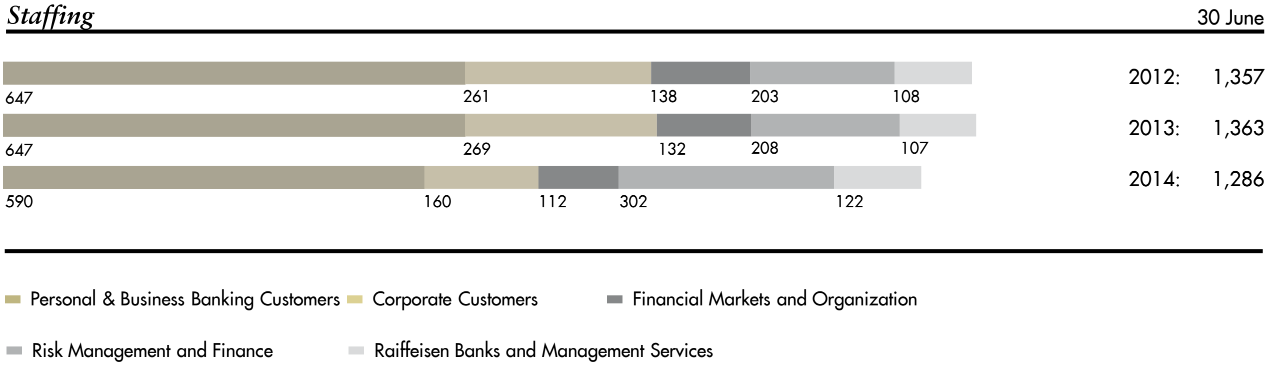
Staff Volunteer Work

As part of the 'Cardinal König' sponsorship scheme for the *Gruft* refuge, RLB NÖ-Wien staff members continued to cook for the *Gruft*'s clients in their free time during the first half of 2014. An average of 120 men and women were given a hot meal during each *Raiffeisen* dinner.

A Responsible Employer

RLB NÖ-Wien employed some 1,300 people during the first six months of 2014. On average, each member of staff spent 2.15 days doing basic or advanced training, and this training cost roughly €420 per person. Personnel development at RLB NÖ-Wien takes place on the basis of organization-wide job profiles. RLB NÖ-Wien runs a trainee programme to ensure the development of young university graduates. Our apprenticeships offensive continued last year with the commencement of the fourth year of apprenticeships at RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria. We are currently training some 60 apprentices in Vienna and Lower Austria, and 25 apprentices have successfully completed their training to date. Eight former apprentices are now working for RLB NÖ-Wien.

Staffing



Quality Seal Awarded for Helping Employees Combine a Family with a Career

In 2013, Austria's Federal Ministry of Economy, Family and Youth again awarded RLB NÖ-Wien the state *berufundfamilie* 'JobAndFamily' Quality Seal for family-aware personnel policy measures. Our family-friendly initiatives range from flexible working hour models to our own kindergarten to offerings for employees on parenthood leave. *Raiffeisen NÖ-Wien*'s company kindergarten opened its doors at the beginning of 2013. The exchange of information with employees on parenthood leave is ensured by regular parenthood leave breakfasts with members of management, the Staff Council and the Personnel Department. During these events, professional carers look after their children.

Consolidated Management Report

Overview of the First Half of 2014

The first half of 2014 was dominated by persistently low interest rates. Economic growth in Austria and Europe was sluggish during the first six months of 2014, as was credit demand. The European Central Bank (ECB) took further action to revive the eurozone economy when it cut its key rate to 0.15 percent in June 2014. The cut in the key rate and the accompanying measures were designed to boost companies' and private individuals' willingness to invest and crank up economic growth.

During the first half of 2014, we continued to press ahead with the implementation of the double strategy we launched in 2013 with its focuses on growth and consolidation. Among other things, our consistent restructuring path involved completely redesigning the loan approval process, putting a new internal pricing system into effect and taking measures to cut costs and boost earnings. The consistent pursuit of this strategy will continue during the second half of 2014. The overall goal is to significantly increase the profitability of *Raiffeisenlandesbank NÖ-Wien AG*'s customer operations.

The balance sheet total fell by 1.5 percent to €28,633.6 million. This was in particular because of another cut in the volume of interbank operations.

Besides credit and deposit products, *Raiffeisenlandesbank NÖ-Wien AG* also offered its customers a broad portfolio of expert services. Above all, they included payment execution and advisory services in the securities, insurance and export fields. Although interest rates were very low and credit demand was subdued, improved margins and an increase in so-called 'structural' income led to a substantial advance in net interest income compared with the same period of 2013.

Nonetheless, the Raiffeisenlandesbank NÖ-Wien Group's profit for the period after tax in the first half of 2014 was down on the same period of 2013 to €62.5 million (H1 2013: €93.5 million). Earnings were dented by an increase in the impairment charge and a loss on interest rate derivatives. Profit from investments in entities accounted for using the equity method came to €73.3 million (H1 2013: €90.0 million). The contribution to profit made by the *Raiffeisen Zentralbank Österreich Aktiengesellschaft Group* (RZB Group) was visibly down on the first half of 2013, retreating by €17.7 million to €68.4 million.

Staff costs were reduced by €4.8 million compared with the same period of 2013 to €45.7 million. Despite the savings that were achieved, other administrative expenses increased perceptibly, growing by 17.1 percent. This was above all because of the rise in costs caused by regulatory requirements and the increase in IT expenses associated with a nationwide project within the Austrian *Raiffeisen* organization ('One IT system for *Raiffeisen Austria*').

The collection of regulations known as Basel III entered into force on 1 January 2014. Thanks to extensive preparatory measures taken in prior years, our capital ratios are now excellent: the common equity Tier I ratio of the Raiffeisenlandesbank NÖ-Wien sub-*Kreditinstitutsgruppe* (credit institution group) as a percentage of the total risk exposure amount came to 16.3 percent, which was far above the legislative minimum of 4.0 percent. Our total capital ratio was likewise well above the legislative minimum of 8.0 percent at 22.7 percent.

The Economic Environment in which Banks were Operating in the First Half of 2014

The recovery in the global economy continued at a moderate pace in the first half of 2014. Its performance was upset by the recurring resurgence of geopolitical risks. Upheavals in the Ukraine led to tensions in the markets during the period under review. The secession of the Crimea and Eastern Ukraine's self-proclaimed independence have not only caused economic turbulence within that country. In the meantime, they have also had a significant impact in Europe.

The growth of the eurozone economy was restrained, with its gross domestic product (GDP) increasing by 0.2 percent in the first quarter of 2014. This increase was only half as big as had been expected and was not an improvement versus the fourth quarter of 2013. Above all, the recession in the region's three biggest economies resulted in stagnation in the eurozone in the second quarter of 2014. This weak growth was astonishing given that the prerequisites for a continued if moderate recovery had certainly existed at the beginning of the year. In the period from April through June, the German economy shrank by 0.2 percent compared with the previous quarter. This was a serious setback after a good start to this year (GDP in the first quarter was 0.7 percent up on the previous quarter). GDP in the second quarter was also a disappointment in France (0.0 percent growth versus the previous quarter) and Italy (negative 0.2 percent). Spain and Portugal were positive exceptions (with growth of 0.6 percent in each).

The ECB has been worried about too long a period of excessively low inflation. For a number of months in succession, the rate of inflation has been too far removed from the ECB's 2.0 percent target. Inflation was running at just 0.5 percent in June, and according to central bank forecasts, it is unlikely to rise in the near future. The ECB reacted at its June meeting by cutting its key rate to 0.15 percent and reducing the deposit rate to below zero (negative 0.1 percent) for the first time. In addition, a new targeted long-term refinancing operation (TLTRO) was offered to banks to improve their liquidity. The amount that a bank can borrow from the ECB for a period of up to four years under this scheme will depend on the size of its private sector credit portfolio. The first opportunity to raise funds in this way will be in September 2014. The ECB hopes that this will stimulate lending to the real economy and reestablish the monetary policy transmission channel. Furthermore, the central bank is preparing to buy asset backed securities and has announced that it will take other unconventional action in an emergency.

The Austrian economy's recovery progressed very tentatively. Growth in Austria at the beginning of the year was significantly weaker than had been expected. Quarter on quarter and allowing for seasonal effects, GDP was up 0.1 percent. Domestic demand grew steadily but still very sluggishly. Consumption and investment grew little, though net exports grew slightly more strongly. The Austrian economy expanded by 0.2 percent in the second quarter. This was thanks to an increase in exports and notwithstanding the weakness of private consumption. In this environment of lukewarm momentum from abroad, there was hardly any production growth in Austria's export orientated domestic economy.

The disinflationary trend affected Austria less than most of the other countries in the eurozone. Alongside the higher utilization of capacities, a variety of tax hikes also contributed to the rise in prices. In June, inflation was running at 1.7 percent. The weak economy and growing labour supply drove an increase in the number of registered unemployed. The most recent Eurostat jobless rate figure, for May, was 4.7 percent, and it was the eurozone's lowest. Given the inadequacy of consolidation measures and the burden of the *Hypo Alpe Adria* crisis, a balanced budget is not in sight.

The US economy shrank in the first quarter of 2014, declining by 2.1 percent (quarter on quarter, annualized). This was to a large part due to destocking in the corporate sector. In addition, the exceptionally hard winter dented investments by companies, the consumption of durable goods and construction investment. However, the second quarter was impressive with a distinct countermovement. According to initial estimates, GDP grew by 4.0 percent. The principal motors of growth were private consumption and stock accumulation by companies. Against the backdrop of the economy's good performance, the US central bank stayed on its path of steady monetary policy normalization. According to the Fed's President Yellen, the current key rate of between 0.0 percent and 0.25 percent will be retained even after the cessation of bond purchasing.

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

Consolidated Operating Profit in the First Half of 2014 Compared with the First Half of 2013

€'000	1/1–30/6 2014	1/1–30/6 2013	Absolute +/(–) Change	Absolute +/(–) Change
Net interest income	83,509	57,269	26,240	45.8
Net fee and commission income	34,820	35,073	(252)	(0.7)
Net trading income	324	(262)	586	–
Profit from investments in entities accounted for using the equity method	73,255	90,034	(16,779)	(18.6)
Other operating profit/(loss)	(15,387)	18,005	(33,392)	–
Operating income	*176,522*	*200,118*	*(23,597)*	*(11.8)*
Staff costs	(45,686)	(50,437)	4,751	(9.4)
Other administrative expenses	(50,839)	(43,399)	(7,440)	17.1
Depreciation/amortization/write-offs	(2,958)	(3,227)	269	(8.3)
General administrative expenses	*(99,484)*	*(97,063)*	*(2,420)*	*2.5*
Consolidated operating profit	**77,038**	**103,055**	**(26,017)**	**(25.2)**

Net interest income in the first half of 2014 came to €83.5 million, which was a clear 45.8 percent up on the same period of 2013. Although interest rates were very low, it proved possible to improve margins compared with the same period of 2013. An increase in so-called 'structural' income also helped increase net interest income.

Net Interest Income €m.

Net fee and commission income was roughly static on the same period of 2013 at €34.8 million.

Net trading income in the first half of 2014 made a positive contribution to profit of €0.3 million.

Profit from investments in entities accounted for using the equity method came to €73.3 million. This was down on the same period of 2013 because, above all, of the decline in the RZB Group's contribution to profit. The fall in this contribution was, in particular, attributable to geopolitical tensions in the Ukraine, the threat of a widening of the sanctions against Russia and uncertainty regarding the Russian leadership's future actions.

Other operating profit/(loss) dented semi-annual profit by €15.4 million. This was primarily due to negative earnings from interest rate derivatives and expenditure on possible damage payments and damage events. Profit was also reduced by the hike in the bank levy.

Operating Income €m.

General administrative expenses came to €99.5 million. While it proved possible to reduce staff costs compared with the same period of 2013, other administrative expenses increased significantly. This was in particular because of higher regulatory costs and an increase in IT costs in the course of a nationwide project carried out within the Austrian *Raiffeisen* organization (‘One IT system for *Raiffeisen Austria*’).

€'000	1/1–30/6 2014	1/1–30/6 2013	Absolute +/(–) Change	Absolute +/(–) Change
Consolidated operating profit	77,038	103,055	(26,017)	(25.2)
Impairment charge on loans and advances	(38,332)	(22,394)	(15,938)	71.2
Profit/(loss) from financial investments	9,919	9,400	519	5.5
Profit for the period before tax	***48,624***	*90,061*	***(41,437)***	***(46.0)***
Income tax	13,830	3,401	10,428	>100
Profit for the period after tax	**62,454**	93,463	**(31,009)**	**(33.2)**

The **impairment charge on loans and advances** was up on the same period of 2013 to €38.3 million. This was partly due to impairment allowances required for a small number of customers/customer groups and partly due to an increase of €7.1 million in the collective allowance for impairment of the portfolio.

Total **profit for the period after tax** came to €62.5 million.

Profit for the Period after Tax €m.

Other comprehensive income came to negative €7.8 million. While the available-for-sale reserve developed well (€59.7 million), the Group’s interest in the other comprehensive income of the entities accounted for using the equity method came to negative €54.5 million. This resulted in comprehensive income of €54.6 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 and Organization
- Investments
- Management Services

Because of a change in the way we carry out internal settlements that was put into effect at the beginning of 2014, there was an inter-segmental shift in earnings compared with prior years. On the one hand, there were material changes in the presentation of return on equity, which is now distributed across the segments on the basis of legislative minimum capital requirements. The associated allocation of surplus capital increased net interest income in the Management Services segment at the expense of the other segments. On the other hand, the remodelling of earnings from liquid assets arising from sight deposit balances in the Corporate Customers segment shifted net interest income from the Corporate Customers segment to the Financial Markets segment.

The **Personal and Business Banking Customers** (**Retail Banking**) segment encompassed retail business carried on by the Group's Viennese branches, which serviced personal banking, trade, business and self-employed customers. Within this segment, the Group provided its customers with banking products and services, including in particular investment and loan advice services; the Group's private banking teams provided professional advice to high net worth personal banking customers in Vienna; and the Group's centres of excellence for trade and business customers gave support to small and medium-sized enterprises in Vienna. Profit for the period before tax in this segment came to €9.3 million in the first half of 2014, compared with €4.2 million in the same period of 2013. Although interest rates were very low and the competition between banks for customer deposits was intensive, it proved possible to keep net interest income roughly static on the year. Alongside net fee and commission income, which came to €18.7 million, the low impairment charge on loans and advances also had a particularly positive impact on profit, coming to €1.2 million (H1 2013: €7.6 million), as did the fall in general administrative expenses to €44.1 million (H1 2013: €47.4 million). The result was a return on equity before tax of 14.7 percent (H1 2013: 4.4 percent). The segment's cost:income ratio rose from 80.1 percent in the first half of 2013 to 80.8 percent in the first half of 2014.

Profit for the period before tax in the **Corporate Customers** segment came to €11.6 million in the first half of 2014. Made-to-measure products and problem solutions and intensive customer orientation in the service of corporate customers in the *Centrope* region were key to this business segment's success. Net interest income after the impairment charge fell significantly, dropping to €19.7 million (H1 2013: €49.4 million), with profit being dented by an impairment charge of €36.6 million (H1 2013: €15.1 million). Based on capital employed of €581.0 million, the segment's return on equity before tax came to 4.0 percent (H1 2013: 10.3 percent).

Profit before tax in the **Financial Markets** segment came to negative €1.4 million during the first half of 2014. Net interest income after the impairment charge was €26.4 million up on the first half of 2013 to €10.0 million (H1 2013: negative €16.4 million). Financial instruments classified as available for sale increased profit from financial investments by €7.7 million. Earnings from strategic derivatives contributed negative €9.0 million to the line item *Other operating profit/(loss)*.

The **Investments** segment showed a profit of €47.3 million, compared with €60.2 million in the same period of 2013. Despite the reduction, it made another material contribution to the Raiffeisenlandesbank NÖ-Wien Group's profit for the period before tax. The RZB Group's profit made a decisive contribution. Based on average Group equity employed of €920.0 million, the return on equity before tax came to 10.3 percent, compared with 10.8 percent in the same period of 2013.

The **Management Services** segment encompassed all the activities of the Raiffeisenlandesbank NÖ-Wien Group undertaken 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. In addition, the bank levy payable for the first half of 2014, which came to €10.8 million, is also recognized here. As a result, profit attributable to this segment came to negative €18.2 million, compared with negative €19.4 million in the same period of 2013.

Consolidated Balance Sheet as of 30 June 2014

The Raiffeisenlandesbank NÖ-Wien Group's **consolidated assets** at 30 June 2014 came to €28,633.6 million, which was €436.6 million less than their carrying amount on the Balance Sheet at the end of 2013. The 2014 semi-annual balance sheet was shaped by a reduction in balances vis-à-vis commercial and central banks and an increase in securities holdings.

Assets

At the reporting date, **loans and advances to other banks** came to €8,195.0 million. The reduction compared with the end of 2013 was primarily due to reductions in loans and advances to entities within the Austrian *Raiffeisen* organization. Loans and advances to other banks in Austria and abroad were increased slightly.

Loans and advances to customers were €202.3 million down on their carrying amount on the consolidated balance sheet at the end of 2013 to €10,802.3 million. This was primarily because of a reduction in lending to the public sector. On the other hand, we achieved an increase in loans and advances to corporates and retail customers.

The line item **securities and equity investments** came to €5,563.4 million, which was €365.6 million up on their carrying amount on the balance sheet at the end of 2013. This means that there was substantial growth in the securities portfolio.

Raiffeisen Bank International AG (RBI) placed new shares worth €2.78 billion with institutional investors during the first quarter of 2014. RZB's disproportionately small participation in this capital increase reduced its percentage stake in RBI. This dilution effect shrank the Raiffeisenlandesbank NÖ-Wien Group's interest in RZB's equity. As a result, the carrying amount of the **investments in entities accounted for using the equity method** was €186.3 million down on the end of 2013 to €2,342.9 million.

€m	30/06/2014	31/12/2013	Absolute +/(–) Change	Absolute +/(–) Change
Loans and advances to other banks	8,195	8,576	(381)	(4.4)
Loans and advances to customers	10,802	11,005	(202)	(1.8)
Securities and equity investments	5,563	5,198	366	7.0
Investments in entities accounted for using the equity method	2,343	2,529	(186)	(7.4)
Other assets	1,730	1,763	(33)	(1.9)
Consolidated assets	**28,634**	29,070	**(437)**	**(1.5)**

Equity and Liabilities

We continued with the reconfiguration of our funding structure begun in 2013. **Deposits from other banks** were reduced by €405.2 million to €8.623,9 million.

Deposits from customers (incl. savings deposit balances) came to €7,905.3 million at the end of the first half of 2014. The reduction versus the end of 2013 was attributable among other things to the decline in savings deposit balances caused by the low level of interest rates.

Liabilities evidenced by paper totalled €6,822.9 million, which was slightly up on the end of 2013.

Equity came to €2,291.7 million at the reporting date.

The increase in the line item **other liabilities** was due to an increase in balances on internal settlement accounts and the change in derivatives entered into for hedging purposes and other derivatives as at 30 June 2014.

€m	30/06/2014	31/12/2013	Absolute +/(–) Change	Absolute +/(–) Change
Deposits from other banks	8,624	9,029	(405)	(4.5)
Deposits from customers	7,905	8,280	(375)	(4.5)
Liabilities evidenced by paper	6,823	6,683	140	2.1
Equity	2,292	2,355	(63)	(2.7)
Other liabilities	2,990	2,723	267	9.8
Balance sheet equity and liabilities	**28,634**	29,070	**(437)**	**(1.5)**

Financial Performance Indicators

Performance Ratios

The key performance ratios used to make international comparisons were as follows in the first half of 2014:

The Group's **consolidated cost:income ratio** – the ratio of operating costs to operating income – came to 56.4 percent. This was the result of what was, after all, a significant decline in earnings combined with a small rise in general administrative expenses.

Because of the drop in earnings, the Group's **consolidated return on equity** – its return on equity based on average consolidated equity – came to 5.3 per cent in the first half of 2014, compared with 7.6 percent in the same period of 2013.

Regulatory Own Funds

Raiffeisenlandesbank NÖ-Wien AG does not make up a distinct *Kreditinstitutsgruppe* (credit institution group) within the meaning of the Austrian *Bankwesengesetz* (BWG: banking act) and as a group is not itself subject to the regulatory provisions governing bank groups because it is a part of the *Raiffeisen-Holding NÖ-Wien Kreditinstitutsgruppe*. Since 1 January 2014, the calculation of own funds has been governed by the provisions of the Basel III regime laid down by the Capital Requirements Regulation (CRR) and the provisions of the Capital Requirements Directive IV (CRD IV) incorporated into BWG. The figures presented below were calculated for the *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* in conformity with the provisions of the CRR and BWG and included in calculations for the *Raiffeisen-Holding NÖ-Wien Kreditinstitutsgruppe*. The prior-year figures are presented on the basis of the Basel II rules that were applicable at the time at the level of the individual institution (*Raiffeisenlandesbank NÖ-Wien AG*) and, consequently, are not comparable.

Own Funds €m	**30/06/2014**
Common equity Tier 1 capital after deductions (CET1)	2,092
Additional Tier 1 capital after deductions (AT1)	0
Supplementary capital (T2)	828
Total eligible own funds	**2,920**
Total own funds requirement	1,028
Common equity Tier 1 ratio (CET1 ratio), %	16.3
Tier 1 ratio (T1 ratio), %	16.3
Own funds ratio (total capital ratio), %	22.7
Surplus own funds ratio, %	183.9

Own Funds €m	**31/12/2013**
Eligible Tier 1 capital (TIER 1)	1,478
Ancillary own funds (TIER 2)	967
Eligible own funds	*2,445*
Tier 3 capital	15
Eligible own funds for the purposes of § 23 Abs. 14 BWG	2,460
Total own funds requirement	1,017
Surplus own funds	1,443
Total Tier 1 ratio, %	11.6
Total own funds ratio, %	19.3
Surplus own funds ratio, %	141.8

The **eligible own funds** of the *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* for the purposes of Basel III came to €2,919.9 million at 30 June 2014.

The Group's **common equity Tier 1 ratio** (transitional) as a percentage of the total risk exposure amount came to 16.3 percent at 30 June 2014. Its **total capital ratio** (all risks) came to 22.7 percent. Both ratios were therefore well above the legislative minimum requirements, which were 4.0 per cent and 8.0 per cent, respectively. The *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* thus had a solid own funds base. On a 'fully loaded' basis, the own funds ratios of the *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* remained at a stable level in that no capital instruments were affected by phasing-out. Its fully loaded common equity Tier 1 ratio was 16.9 percent, and its total capital ratio was 22.6 percent.

Credit Risk Ratios

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

	Loans and Advances to Customers		**Loans and Advances to Other Banks**		**Total**	
€m	**30/06/2014**	31/12/2013	**30/06/2014**	31/12/2013	**30/06/2014**	31/12/2013
Credit exposure amount	10,802	11,005	8,195	8,576	18,997	19,581
Non-performing loans (NPLs)	557	523	0	0	557	523
Item-by-item allowances for impairment	292	272	0	0	292	272
Collateral	181	166	0	0	181	166
NPL ratio, %	5.2	4.8	0.0	0.0	2.7	2.7
Coverage ratio 1, %	52.4	52.1	100.0	100.0	52.0	52.1
Coverage ratio 2, %	84.9	83.8	100.0	100.0	83.7	83.8

The Coverage Ratio 1 is defined as the ratio of the impairment allowances for NPLs (item-by-item allowances) to total NPLs, and the Coverage Ratio 2 is defined as the ratio of the impairment allowances for NPLs (item-by-item allowances) and collateral (after haircuts) to total NPLs.

Outlook for the Second Half of 2014

The Economic Environment

After growth of 3.2 percent in 2013, the July forecast by the International Monetary Find (IMF) is predicting that the global economy could grow by 3.4 percent this year. However, the IMF has expressly warned about the growing geopolitical risks and an overhasty termination of economic aid, both of which could seriously affect the world economy.

In view of a temporary weakness in the first quarter, GDP in the United States is only likely to be able to grow by 1.7 percent over the year as a whole. However, the recovery did pick up a great deal of momentum again in the second quarter, so people are now talking about a hike in key interest rates in the world's largest economy. Currently (July), the first movement in interest rates is anticipated around mid-2015.

The eurozone economy is expected to be able to grow by 1.1 percent in 2014. Once again, the eurozone's economic motor will be Germany, where the growth forecast has been increased by 0.2 percentage points to 1.9 percent since the spring. The forecast has also been increased significantly in Spain (up 0.3 percentage points to 1.2 percent). Besides uncertainty at the time of the forecast as to the effects of the EU sanctions against Russia, one observable risk is and remains the eurozone's very low rate of inflation. The deflationary environment in some peripheral countries is a threat to the emerging recovery. The European Central Bank has therefore adopted an extensive package of remedial measures. If they do not bear fruit, a broadly based bond-purchasing programme will probably be introduced.

The IMF is sceptical about some threshold countries. Brazil, Mexico and South Africa are struggling with the waning growth momentum. In all three countries, GDP growth forecasts have been cut by 0.6 percentage points compared with April (to 1.3 percent, 2.4 percent and 1.7 percent, respectively). GDP in China is likely to grow by 7.4 percent this year, which would be slightly less than the growth of 7.7 percent recorded in 2013.

The forecast for Russia has been cut particularly sharply (from 1.3 percent in April to 0.2 percent in the newest July 2014 forecast). Ukraine's political crisis is causing sustained capital outflows and investments are being put on hold, no doubt for a longer period. As a result of the economic sanctions decided at the end of July, Russia might now even slide into recession.

The *Österreichisches Institut für Wirtschaftsforschung* (WIFO: Austrian Institute of Economic Research) and the *Institut für Höhere Studien* (IHS: Institute of Higher Studies) expect the Austrian economy to grow by 1.4 percent or 1.5 percent, respectively. After a restrained start to 2014, the growth outlook had actually weakened even more by the middle of the year. The foreign trade environment was already difficult, and the worsening geopolitical trouble spots are also a heavy blow to Austrian exporters. This has kept Austrian companies' propensity to invest low. Private consumption was the biggest contributor to growth, but despite the good increase in jobs, that too did not live up to its potential.

Risk Assessment for the Second Half of 2014

One of *Raiffeisenlandesbank NÖ-Wien AG*'s principal tasks is to assume risks of various kinds. Risks are entered into in conformity with the risk policy and strategy defined by *Raiffeisenlandesbank NÖ-Wien AG*. The efficient recognition, assessment and management of risk are among the bank's central focuses. We refer the reader to the section on *Risks arising from financial instruments* (*Risk Report*) in the 2013 Annual Report both in this connection and regarding the organization of our risk management activities.

Raiffeisenlandesbank NÖ-Wien AG sees the situation in the markets and that of its customers as one of persistent weakness accompanied by high volatility. Consequently, ongoing risk analysis is carried out with a particularly close eye on these factors.

The first six months were dominated by the new regulatory capital requirements laid down by the CRR and the topic of the ECB's Asset Quality Review. In preparation for taking on the supervision of system-relevant European banks within the scope of the Single Supervisory Mechanism, the ECB also carried out an extensive review of the quality of *Raiffeisenlandesbank NÖ-Wien AG*'s balance sheet assets and an assessment of its risks during 2014.

From a risk point of view, the first half of 2014 was still strongly influenced by the euro and economic crises in Europe and by this phase of low interest rates. The euro and financial markets crises have evidently left a lasting mark on the real economy. As a result, Austria's growth too has little momentum.

Raiffeisenlandesbank NÖ-Wien AG's risk positioning in its trading and banking books also remains defensive. This has been clearly evidenced by its moderate average value at risk (VaR) during the year to date. The selective and tight management of existing risk positions will continue in the second half. Besides standardized stress testing and backtesting, risk management activities will be supplemented by *ad hoc* assessments as the need arises as well as by close-to-real-time reporting to the Managing Board.

Persistent heightened uncertainly in the peripheral countries will likewise continue to be factored in by applying appropriate stress scenarios. We will be continuously examining, assessing and managing not only the impact of direct exposures in the sovereigns and banks domain but also the indirect adverse effects of possible scenarios on *Raiffeisenlandesbank NÖ-Wien AG*'s correspondents.

Despite a number of nonrecurring effects in the exports sector, impairment charges in the first half of 2014 stayed within budget.

Against the backdrop of developments abroad and, with them, the associated sanctions and deliberations of both the United States and the European Union, *Raiffeisenlandesbank NÖ-Wien AG* does not expect the situation to ease in the second half either. Furthermore, we also need to see how a number of customers who are under observation will fare and their future creditworthiness will develop. Consequently, we cannot expect a reduction in the necessary impairment charges over the year as a whole.

Taking a conservative view, we therefore believe that 2014 as a whole will be another difficult year for lenders and that it will be necessary to continue to step up our efforts in the analysis field and, in turn, intensify our customer support activities.

The early detection of any problems, targeted countermeasures and risk mitigating actions are appropriate responses to the business and financial challenges being faced by our customers and, in turn, by their financiers.

By applying these responses, *Raiffeisenlandesbank NÖ-Wien AG* will be prepared for the possible repercussions of the economy's continued weakness on its credit customers and the impact of the uncertainties in the financial markets.

Overall, our ongoing risk monitoring activities and risk assessments have not revealed any signs of risks besides those mentioned above that would be likely to affect the performance of *Raiffeisenlandesbank NÖ-Wien AG*.

Performance Outlook

Raiffeisenlandesbank NÖ-Wien AG is one of the credit institution groups whose supervision will be taken over by the ECB in the autumn of 2014. The prior comprehensive assessment is not expected to yield any negative results.

At *Raiffeisenlandesbank NÖ-Wien AG*, we believe that we will continue to be confronted with a difficult economic environment and major challenges in the market during the second half of 2014. Consequently, our balance sheet total will not change significantly. Given the present development of interest rates and the economic setting, *Raiffeisenlandesbank NÖ-Wien AG* expects the pressure on interest margins to persist.

Geopolitical tensions in the Ukraine, the sanctions against Russia and uncertainty regarding the Russian leadership's future actions are the dominant issues in the international financial markets. *Raiffeisenlandesbank NÖ-Wien AG* is affected by developments in Eastern Europe through its investment in RZB, which is accounted for using the equity method. RBI's semi-annual numbers, which were published on 21 August 2014, show a solid operating result, with the negative impact of significant depreciation of the currencies of both the Ukraine and Russia versus the euro and the US dollar increasing impairment charges in its semi-annual financial statements. RBI expects the sanctions against Russia to have no or very minor direct effects, but results could be harmed by the ECB's pending asset quality review and a further worsening of the situation in the Ukraine and Russia. In addition, the Hungarian government is preparing a number of new programmes that will favour foreign-currency borrowers. RZB's results could suffer significantly if it is put into effect.

Raiffeisenlandesbank NÖ-Wien AG's strategic focuses in the second half of 2014 will remain:

- to achieve another increase in operating profit by consistently implementing strategic cost cutting and profit enhancing projects and measures;
- to further optimize its regulatory performance indicators (e.g. own funds, risk bearing capacity);
- to continue on its *Wien erobern* (conquering Vienna) growth path;
- to expand corporate customer operations with a special focus on cross-selling;
- to deepen cooperation with the *Raiffeisen Banks* in Lower Austria within the scope of the Austrian *Raiffeisen* organization.

As RZB's biggest shareholder and, therefore, as RBI's, *Raiffeisenlandesbank NÖ-Wien AG* is responsible for the success of the entire banking group. We are therefore continuing to play a leading role in strategic work like the 'One IT system for *Raiffeisen Austria*' project, which is now entering its final testing phase. Good cooperation between all the participants will ensure its success.

Raiffeisenlandesbank NÖ-Wien AG is an important part of the *Raiffeisen* Banking Group. As the central institution of the *Raiffeisen Banks* in Lower Austria, it will act as a reliable partner during upcoming IT projects and the fulfillment of regulatory requirements. We are continuing to deepen cooperation with the *Raiffeisen Banks* in Lower Austria within the scope of the Austrian *Raiffeisen* organization

IFRS-Compliant Consolidated Interim Financial Statements

A. Consolidated Statement of Comprehensive Income

Consolidated Income Statement

€'000	Note	1/1–30/6 2014	1/1–30/6 2013
Interest income	(1)	284,486	281,811
Interest expenses	(1)	(200,977)	(224,542)
Net interest income	***(1)***	***83,509***	***57,269***
Impairment charge on loans and advances	(2)	(38,332)	(22,394)
Net interest income after impairment charge		***45,177***	***34,875***
Fee and commission income	(3)	49,727	49,544
Fee and commission expenses	(3)	(14,906)	(14,471)
Net fee and commission income	***(3)***	***34,820***	***35,073***
Net trading income	(4)	324	(262)
Profit from investments in entities accounted for using the equity method		73,255	90,034
Profit from financial investments	(5)	9,919	9,400
General administrative expenses	(6)	(99,484)	(97,063)
Other operating profit/(loss)	(7)	(15,387)	18,005
Profit for the period before tax		***48,624***	***90,061***
Income tax		13,830	3,401
Profit for the period after tax		**62,454**	**93,463**
Of which attributable to equity holders of the parent		62,454	93,463
Of which minority interests		0	0

Reconciliation to Consolidated Comprehensive Income

€'000	1/1–30/6/2014 Attributable to Equity Holders of the Parent	1/1–30/6/2014 Minority Interests	1/1–30/6/2014 Total	1/1–30/6/2013 Attributable to Equity Holders of the Parent	1/1–30/6/2013 Minority Interests	1/1–30/6/2013 Total
Profit for the period after tax	*62,454*	*0*	*62,454*	*93,463*	*0*	*93,463*
Items that will not be reclassified to profit and loss in later periods	*(3,519)*	*0*	*(3,519)*	*2,340*	*0*	*2,340*
Actuarial gains/(losses) on the revaluation of provisions for staff benefits	(5,441)	0	(5,441)	(518)	0	(518)
Deferred taxes on items not reclassified to profit and loss	211	0	211	3,062	0	3,062
Enterprise's interest in other comprehensive income arising from items of entities accounted for using the equity method that are never to be reclassified	1,711	0	1,711	(205)	0	(205)
Items that may be reclassified to profit and loss in later periods	*(4,325)*	*0*	*(4,325)*	*(83,311)*	*0*	*(83,311)*
Cash flow hedge reserve	6,419	0	6,419	8,428	0	8,428
Of which unrealized gains/(losses) in the period	0	0	0	8,634	0	8,634
Of which gains/(losses) reclassified to the income statement	6,419	0	6,419	(205)	0	(205)
Available-for-sale reserve	59,700	0	59,700	16,057	0	16,057
Of which unrealized gains/(losses) in the period	67,454	0	67,454	24,101	0	24,101
Of which gains/(losses) reclassified to the income statement	(7,754)	0	(7,754)	(8,044)	0	(8,044)
Deferred tax	(14,277)	0	(14,277)	(6,483)	0	(6,483)
Of which unrealized gains/(losses) in the period	(14,273)	0	(14,273)	(9,693)	0	(9,693)
Of which gains/(losses) reclassified to the income statement	(4)	0	(4)	3,210	0	3,210
Enterprise's interest in other comprehensive income of entities accounted for using the equity method (after tax)	(56,166)	0	(56,166)	(101,313)	0	(101,313)
Other comprehensive income	*(7,844)*	*0*	*(7,844)*	*(80,971)*	*0*	*(80,971)*
Consolidated comprehensive income	**54,610**	**0**	**54,610**	12,492	0	12,492

B. Consolidated Balance Sheet

Assets, €'000	Note(s)	30/6/2014	31/12/2013
Cash and balances with the central bank		62,198	404,646
Loans and advances to other banks	(9, 26)	8,195,025	8,575,731
Loans and advances to customers	(10, 26)	10,802,283	11,004,581
Impairment allowance balance	(11, 26)	(328,377)	(298,327)
Trading assets	(12, 26)	480,737	300,509
Securities and equity instruments	(13, 26)	5,563,366	5,197,798
Investments in entities accounted for using the equity method		2,342,904	2,529,181
Intangible assets	(14)	6,308	7,438
Property and equipment	(15)	8,024	8,060
Other assets	(16, 26)	1,501,125	1,340,577
Of which current tax assets		457	209
Of which deferred tax assets		20,094	23,922
Balance sheet assets		**28,633,592**	**29,070,193**

Equity and Liabilties, €'000	Note(s)	30/6/2014	31/12/2013
Deposits from other banks	(17, 26)	8,623,857	9,029,012
Deposits from customers	(18, 26)	7,905,282	8,280,334
Liabilities evidenced by paper	(19, 26, 27)	6,822,878	6,683,353
Trading liabilities	(20, 26)	288,878	194,313
Other liabilities	(21, 26)	1,610,375	1,332,180
Of which current tax liabilities		12,698	9,935
Provisions	(22, 26)	140,671	166,857
Subordinated debt capital	(23, 26, 27)	949,956	1,029,219
Total borrowd capital		***26,341,898***	***26,715,267***
Attributable to equity holders of the parent		2,291,695	2,354,871
Minority interests		0	55
Equity	*(24)*	***2,291,695***	***2,354,925***
Balance sheet equity and liabilities		**28,633,592**	**29,070,193**

C. Consolidated Statement of Changes in Equity

€'000	Attributable to equity holders of the parent							
	Sub-scribed Capital	Non-voting Non-ownership 'Participation' Capital (Partizipations-kapital)	Capital Reserves	Retained Earnings	Profit for the Period after Tax*	Total	Minority Interests	Total
Equity at 1/1/2014	**214,520**	**76,500**	**432,688**	**1,631,163**	**0**	**2,354,871**	**55**	**2,354,925**
Consolidated comprehensive income	0	0	0	(7,844)	62,454	54,610	0	54,610
Profit for the period after tax	0	0	0	0	62,454	62,454	0	62,454
Other comprehensive income	0	0	0	(7,844)	0	(7,844)	0	(7,844)
Enterprise's interest in other changes in the equity of entities accounted for using the equity method	0	0	0	(117,644)	0	(117,644)	0	(117,644)
Other changes	0	0	0	(141)	0	(141)	(55)	(196)
Equity at 30/6/2014	**214,520**	**76,500**	**432,688**	**1,505,532**	**62,454**	**2,291,695**	**0**	**2,291,695**

€'000	Attributable to equity holders of the parent							
	Sub-scribed Capital	Non-voting Non-ownership 'Participation' Capital (Partizipations-kapital)	Capital Reserves	Retained Earnings	Profit for the Period after Tax*	Total	Minority Interests	Total
Equity at 1/1/2013	**214,520**	**76,500**	**432,688**	**1,697,951**	**0**	**2,421,659**	**56**	**2,421,715**
Consolidated comprehensive income	0	0	0	(80,971)	93,463	12,492	0	12,492
Profit for the period after tax	0	0	0	0	93,463	93,463	0	93,463
Other comprehensive income	0	0	0	(80,971)	0	(80,971)	0	(80,971)
Enterprise's interest in other changes in the equity of entities accounted for using the equity method	0	0	0	(4,328)	0	(4,328)	0	(4,328)
Equity at 30/6/2013	**214,520**	**76,500**	**432,688**	**1,612,652**	**93,463**	**2,429,823**	**56**	**2,429,879**

* Because of the profit-transfer agreement in place with *Raiffeisen-Holding NÖ-Wien*, the principal equity holder of *Raiffeisenlandesbank NÖ-Wien AG*, up to and including 30 June 2014, profit for the year ended 31 December 2013 for the purposes of UGB/BWG remaining after transfers to the contractually provided reserves was transferred to *Raiffeisen-Holding NÖ-Wien*. Based on the answer to an enquiry regarding the interpretation of Article 28 of the Capital Requirements Regulation (CRR) by the European Banking Authority (EBA), the profit transfer agreement was terminated by mutual consent as of 30 June 2014. This ensures that our paid-in capital will remain eligible under the CRR regime.

D. Consolidated Cash Flow Statement

€'000	1/1–30/6 2014	1/1–30/6 2013
Cash and cash equivalents at the end of the previous period	*404,646*	*679,031*
Net cash from/(used in) operating activities	189,482	(74,680)
Net cash from/(used in) investing activities	(511,229)	(422,348)
Net cash from/(used in) financing activities	(20,708)	(48,733)
Effect of exchange rate changes	6	(17)
Cash and cash equivalents at the end of the period under review	**62,198**	**133,253**

E. Notes

Recognition and Measurement Policies

The Consolidated Financial Statements of RAIFFEISEN-LANDESBANK NIEDERÖSTERREICH-WIEN AG (*Raiffeisenlandesbank NÖ-Wien AG*) were prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) inclusive of the applicable interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. This Interim Report as at and for the six months ended 30 June 2014 complies with the IFRS provisions collected together in IAS 34 laying down the minimum components of an interim financial report and identifying the recognition and measurement principles that should be applied in financial statements prepared for an interim reporting period.

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.

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

Number of Entities	Consolidated 1/1–30/6 2014	1/1–30/6 2013	Equity Method 1/1–30/6 2014	1/1–30/6 2013
At the beginning of the period under review	*5*	*6*	*2*	*2*
Changes during the period under review	(3)	0	0	0
Entities excluded in the period under review because of reorganization	0	(1)	0	0
At the end of the period under review	**2**	5	**2**	2

During the period udder review, three subsidiaries – *„ARSIS“ Beteiligungs GmbH*, *„BARIBAL“ Holding GmbH* and *Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs GmbH* – were removed from the consolidated group on the grounds of immateriality.

During the period under review, no business combinations took place and no business operations were discontinued.

During the first half of 2014, we pressed ahead with implementing the double strategy begun in 2013 with its focuses on growth and consolidation. Among other things, we completely remodelled the lending process, put a new internal pricing system into place and took action to cut costs and boost earnings as we continued on our consistent restructuring path.

No special seasonal factors were at work during the first half of 2014 that could have materially affected the Group's assets, liabilities, financial position or profit or loss.

The first half of 2014 was shaped by persistently low interest rates. Economic growth in Austria and the rest of Europe was subdued during the first six months of 2014, as was credit demand. Although interest rates were very low and credit demand was muted, net interest income was substantially up on the same period of 2013 thanks to improved margins and an increase in so-called 'structural' income.

At 30 June 2014, there were no pending legal disputes whose outcome might threaten the enterprise's continued existence. As a result of the profit transfer agreement that was in place up to and including 30 June 2014, the amount of €60 million (2013: €57.5 million) was paid to *RAIFFEISEN-HOLDING*

NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (*Raiffeisen-Holding NÖ-Wien*), the parent of *Raiffeisenlandesbank NÖ-Wien AG*, following the Annual General Meeting held on 16 May 2014. As in the previous year, no direct distribution with respect to the non-voting non-ownership capital (*Partizipationskapital*) took place for 2013. After the European Banking Authority (EBA) had answered an enquiry regarding the interpretation of Article 28 of the Capital Requirements Regulation (CRR), the profit transfer agreement was terminated by mutual consent as of 30 June 2014. This ensured that our paid-in capital would continue to be eligible under the CRR regime.

The semi-annual financial report has been neither audited in full nor examined by an auditor.

Changes in Recognition- and Measurement Policies

With the exception of the following new requirements that have already been adopted by the EU, the same recognition and measurement principles were applied as in the Consolidated Financial Statements as at and for the 12 months ended 31 December 2012:

New Provisions		Effective in the EU for Annual Periods Beginning On or After	Already Adopted by the EU
New Standards			
IAS 27	Separate Financial Statements (amended 2011)	1/1/2014	Yes
IAS 28	Investments in Associates and Joint Ventures (amended 2011)	1/1/2014	Yes
IFRS 10	Consolidated Financial Statements	1/1/2014	Yes
IFRS 11	Joint Arrangements	1/1/2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	1/1/2014	Yes
Amendments to Standards			
IAS 27	Separate Financial Statements (amended 2011) – Investment Entities	1/1/2014	Yes
IAS 32	Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1/1/2014	Yes
IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	1/1/2014	Yes
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	1/1/2014	Yes
IFRS 10	Consolidated Financial Statements – Investment Entities	1/1/2014	Yes
IFRS 10	Consolidated Financial Statements – Transition Guidance	1/1/2014	Yes
IFRS 11	Joint Arrangements – Transition Guidance	1/1/2014	Yes
IFRS 12	Disclosure of Interests in Other Entities – Investment Entities	1/1/2014	Yes
New Interpretations			
IFRIC 21	Levies	1/1/2014	Yes

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

The new IAS 27 *Separate Financial Statements* (amended 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.

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

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 the revised IAS 27. The other parts of IAS 27 have been superseded by IFRS 10.

The offsetting requirements in IAS 32 have in 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* 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.

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.

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.

The application of IFRS 10, IFRS 11 and IFRS 12 did not lead to any change in the scope of consolidation or measurement methods during the 2014 financial year.

The changes to the financial reporting and accounting standards did not have any effects on the presentation of the Raiffeisenlandesbank NÖ-Wien Group's profit or loss, financial position or assets and liabilities for interim reporting purposes.

Details of the Consolidated Income Statement

(1) Net Interest Income

€'000	1/1–30/6 2014	1/1–30/6 2013
Interest income	***280,819***	***276,844***
From loans and advances to other banks	46,244	46,659
From loans and advances to customers	126,738	123,340
From trading assets and liabilities	1,127	1,835
from other fixed-interest securities	69,226	77,768
From derivative financial instruments	37,484	27,234
Other	0	9
Current income	***3,667***	***4,967***
From shares and other variable-yield securities	2,572	2,770
From interests in subsidiaries	13	27
From other equity investments	1,082	2,171
Total interest and similar income	***284,486***	***281,811***
Interest expenses	***(200,977)***	***(224,542)***
On deposits from other banks	(47,992)	(57,091)
On deposits from customers	(34,555)	(40,294)
On liabilities evidenced by paper	(82,838)	(79,359)
On subordinated debt capital	(20,253)	(14,525)
On derivative financial instruments	(15,299)	(33,230)
Other	(40)	(42)
Total interest expenses and similar charges	***(200,977)***	***(224,542)***
Net interest income	**83,509**	**57,269**

(2) Impairment Charge on Loans and Advances

€'000	1/1–30/6 2014	1/1–30/6 2013
Item-by-item allowances for impairment	*(28,892)*	*(20,050)*
Impairment allowances	(45,551)	(44,533)
Impairment reversals	15,929	23,786
Direct write-offs	(187)	(138)
Recoveries of loans and advances previously written off	917	834
Collective assessments of impairment of the portfolio	*(9,440)*	*(2,344)*
Impairment allowances	(9,440)	(3,830)
Impairment reversals	0	1,486
Total	**(38,332)**	(22,394)

(3) Net Fee and Commission Income

€'000	1/1–30/6 2014	1/1–30/6 2013
Payment services	9,467	10,070
Loan processing and guarantee operations	5,684	6,304
Securities operations	10,659	10,293
Foreign exchange, notes-and-coin and precious-metals business	2,031	2,016
Other banking services	6,980	6,390
Total	**34,820**	35,073

(4) Net Trading Income

€'000	1/1–30/6 2014	1/1–30/6 2013
Interest rate contracts	(2,324)	(5,422)
Currency contracts	1,255	2,684
Equity and index contracts	373	3,017
Other contracts	1,020	(541)
Total	**324**	(262)

(5) Profit/(Loss) from Financial Investments

€'000	1/1–30/6 2014	1/1–30/6 2013
Gains less losses from financial instruments classified as held to maturity	63	1,664
Gains less losses from financial instruments classified as available for sale and measured at fair value	7,754	(1,821)
Gains less losses from financial instruments classified as available for sale and measured at cost	0	(248)
Gains less losses from investments in entities accounted for using the equity method	0	53
Gains less losses from unlisted securities recognized as receivables and classified as loans and receivables	0	240
Gains less losses from financial instruments designated as at fair value through Profit or loss	2,482	9,512
Realized gains less losses from liabilities measured at cost	(381)	0
Total	**9,919**	9,400

(6) General Administrative Expenses

€'000	1/1–30/6 2014	1/1–30/6 2013
Staff costs	(45,686)	(50,437)
Other administrative expenses	(50,839)	(43,399)
Depreciation/amortization/write-offs of property and equipment and intangible assets	(2,958)	(3,227)
Total	**(99,484)**	(97,063)

(7) Other Operating Profit/(Loss)

€'000	1/1–30/6 2014	1/1–30/6 2013
Effect of hedge accounting	(1,859)	18
Gains less losses from other derivatives	(8,167)	19,165
Other operating income	9,725	10,089
Other operating expenses	(15,086)	(11,268)
Total	**(15,387)**	18,005

(8) Detailed Segmental Breakdown*

1/1–30/6/2014 €'000	Personal and Business Banking Customers	Corporate Customers	Financial Markets and Organizatio n	Investments	Management Services	Total
Net interest income	36,663	56,283	10,502	(24,478)	4,539	83,509
Impairment charge on loans and advances	(1,213)	(36,611)	(508)	0	0	(38,332)
Net interest income after impairment charge	35,450	19,672	9,994	(24,478)	4,539	45,177
Net fee and commission income	18,734	13,115	(2,161)	0	5,132	34,820
Net trading income	837	(384)	(730)	0	601	324
Profit from investments in entities accounted for using the equity method	0	0	0	73,255	0	73,255
Profit from financial investments	0	200	9,719	0	0	9,919
General administrative expenses	(44,069)	(19,523)	(8,694)	(1,486)	(25,711)	(99,484)
Of which staff costs	(24,482)	(11,699)	(4,208)	(337)	(4,960)	(45,686)
Of which other administrative expenses	(17,944)	(7,566)	(3,728)	(1,135)	(20,467)	(50,839)
Of which depreciation/amortization/write-offs	(1,642)	(258)	(758)	(14)	(285)	(2,958)
Other operating profit/(loss)	(1,682)	(1,435)	(9,550)	39	(2,759)	(15,387)
Profit for the period before tax	**9,270**	**11,645**	**(1,422)**	**47,330**	**(18,198)**	**48,624**
Average allocated equity, €m	126	581	150	920	577	2,354
Return on equity before tax, %	14.7	4.0	–	10.3	–	4.1
Cost:income ratio, %	80.8	28.9	> 100	3.0	> 100	56.4

* See page 14 of the Semi-Annual Consolidated Management Report (*Segmental Report*).

Because of a change in the way we carry out internal settlements that was put into effect at the beginning of 2014, there was an inter-segmental shift in earnings compared with prior years. On the one hand, there were material changes in the presentation of the return on equity, which is now distributed across the segments on the basis of legislative minimum capital requirements. The associated allocation of surplus capital increased net interest income in the Management

Services segment at the expense of the other segments. On the other hand, the remodelling of earnings from liquid assets arising from sight deposit balances in the Corporate Customers segment shifted net interest income from the Corporate Customers segment to the Financial Markets segment.

1/1–30/6/2013 €'000	Personal and Business Banking Customers	Corporate Customers	Financial Markets and Organizatio n	Investments	Management Services	Total
Net interest income	37,190	64,546	(16,690)	(28,016)	239	57,269
Impairment charge on loans and advances	(7,594)	(15,104)	304	0	0	(22,394)
Net interest income after impairment charge	29,596	49,442	(16,386)	(28,016)	239	34,875
Net fee and commission income	18,749	13,331	(1,575)	0	4,568	35,073
Net trading income	693	728	(1,985)	0	302	(262)
Profit from investments in entities accounted for using the equity method	0	0	0	90,034	0	90,034
Profit from financial investments	0	2,384	7,166	(150)	0	9,400
General administrative expenses	(47,415)	(19,640)	(8,054)	(1,526)	(20,428)	(97,063)
Of which staff costs	(28,243)	(11,632)	(3,028)	(326)	(7,208)	(50,437)
Of which other administrative expenses	(17,748)	(7,776)	(3,884)	(1,181)	(12,810)	(43,399)
Of which depreciation/amortization/write-offs	(1,424)	(232)	(1,142)	(19)	(410)	(3,227)
Other operating profit/(loss)	2,572	(1,464)	21,103	(124)	(4,082)	18,005
Profit for the period before tax	**4,195**	**44,781**	**269**	**60,218**	**(19,401)**	**90,061**
Average allocated equity, €m	191	868	248	1,119	47	2,473
Return on equity before tax	4.4	10.3	0.2	10.8	-	7.3
Cost:income ratio, %	80.1	25.5	>100	2.5	>100	48.5

Details of the Consolidated Balance Sheet

(9) Loans and Advances to Other Banks

€'000	30/6/2014	31/12/2013
Demand deposits	820,438	608,008
Time deposits	5,305,124	5,779,902
Other loans and advances	2,034,984	2,126,624
Debt instruments	5,479	5,480
Other	29,000	55,718
Total	**8,195,025**	8,575,731

(10) Loans and Advances to Customers

€'000	30/6/2014	31/12/2013
Current accounts	1,549,347	1,452,380
Cash advances	798,417	1,122,302
Loans	8,376,245	8,365,373
Debt instruments	15	15
Other	78,260	64,512
Total	**10,802,283**	11,004,581

€'000	30/6/2014	31/12/2013
Public sector exposures	848,508	1,108,554
Retail exposures	1,700,732	1,679,042
Corporate exposures	8,253,037	8,216,984
Other	5	0
Total	**10,802,283**	11,004,581

(11) Impairment Allowance Balance

2014 €'000	At 1 January	Added	Reversed	Used	At 30 June
Item-by-item allowances for impairment	*272,385*	*44,634*	*(14,157)*	*(9,867)*	*292,995*
Loans and advances to other banks	495	0	0	(395)	100
Loans and advances to customers	271,890	44,634	(14,157)	(9,472)	292,895
Collective assessments of impairment of the portfolio	*25,942*	*9,440*	*0*	*0*	*35,382*
Loans and advances to other banks	1,758	33	0	0	1,791
Loans and advances to customers	24,184	9,407	0	0	33,591
Impairment allowance balance (loans and advances)[1]	*298,327*	*54,075*	*(14,157)*	*(9,867)*	*328,377*
Risks arising from off-balance-sheet liabilities[2]	*23,029*	*916*	*(1,772)*	*(110)*	*22,063*
Total	**321,356**	**54,991**	**(15,929)**	**(9,977)**	**350,440**

1 The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.
2 Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*.

2013 €'000	At 1 January	Added	Reversed	Used	At 30 June
Item-by-item allowances for impairment	*296,765*	*41,066*	*(22,671)*	*(10,674)*	*304,487*
Loans and advances to other banks	1,020	0	0	(905)	115
Loans and advances to customers	295,745	41,066	(22,671)	(9,769)	304,372
Collective assessments of impairment of the portfolio	*21,913*	*3,830*	*(1,486)*	*0*	*24,257*
Loans and advances to other banks	1,345	0	(287)	0	1,057
Loans and advances to customers	20,568	3,830	(1,198)	0	23,200
Impairment allowance balance (loans and advances)[1]	*318,678*	*44,896*	*(24,157)*	*(10,674)*	*328,744*
Risks arising from off-balance-sheet liabilities[2]	*20,679*	*3,467*	*(1,115)*	*(117)*	*22,913*
Total	339,357	48,363	(25,272)	(10,791)	351,657

1 The balance of impairment charges on loans and advances is reported on the Balance Sheet in the line item *Impairment allowance balance*.
2 Risks arising from off-balance sheet liabilities are reported on the Balance Sheet in the line item *Provisions*

(12) Trading Assets

€'000	**30/6/2014**	**31/12/2013**
Bonds and other fixed-interest securities	174,976	77,622
Shares and other variable-yield securities	2	0
Positive fair values of derivative contracts	273,657	188,583
Accruals arising from derivatives	32,102	34,305
Total	**480,737**	300,509

(13) Securities and Equity Investments

€'000	**30/6/2014**	**31/12/2013**
Bonds and other fixed-interest securities	***5,382,084***	*4,959,161*
Classified as held to maturity	690,579	771,331
Designated as at fair value through profit or loss	919,667	1,025,817
Classified as available for sale, measured at fair value	3,771,838	3,162,013
Shares and other variable-yield securities	***115,237***	*174,505*
Designated as at fair value through profit or loss	69,184	55,027
Classified as available for sale, measured at fair value	46,053	119,478
Equity investments	***66,045***	*64,132*
Classified as available for sale, measured at fair value	43,471	43,471
Classified as available for sale, measured at cost[1]	22,574	20,661
Total	**5,563,366**	5,197,798

1 This total includes non-voting non-ownership 'participation' certificates (*Partizipationsschein*) of *Raiffeisen-Holding NÖ-Wien* in the amount of €277 thousand (year-end 2012: €277 thousand.

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

€'000	30/6/2014	31/12/2013
Designated as at fair value through profit or loss	***988,851***	*1,080,845*
Bonds and other fixed-interest securities	919,667	1,025,817
Shares and other variable-yield securities	69,184	55,027
Classified as available for sale	***3,883,936***	*3,345,622*
Measured at fair value	3,861,362	3,324,961
Bonds and other fixed-interest securities	3,771,838	3,162,013
Shares and other variable-yield securities	46,053	119,478
Equity investments	43,471	43,471
Measured at cost	22,574	20,661
Equity investments	22,574	20,661
Classified as held to maturity	***690,579***	*771,331*
Bonds and other fixed-interest securities	690,579	771,331
Total	**5,563,366**	5,197,798

No sales of available-for-sale financial instruments measured at cost are planned. No such financial instruments were derecognized in the period under review or in the first half of 2013.

(14) Intangible Assets

€'000	30/6/2014	31/12/2013
Other intangible assets	6,308	7,438
Total	**6,308**	7,438

(15) Property and Equipment

€'000	30/6/2014	31/12/2013
Land and buildings used by the Group for its own operations	566	577
Other property and equipment, office furniture and equipment	7,458	7,483
Total	**8,024**	8,060

(16) Other Assets

€'000	30/6/2014	31/12/2013
Tax assets	20,551	24,131
Of which current tax assets	457	209
Of which deferred tax assets	20,094	23,922
Positive fair values of derivative instruments in fair value hedges	342,409	225,113
Positive fair values of derivative financial instruments designated as at fair value through profit or loss	9,841	11,971
Positive fair values of other derivative financial instruments	679,524	664,555
Interest accruals arising from derivative financial instruments	236,747	217,410
Other items	212,053	197,397
Total	**1,501,125**	1,340,577

(17) Deposits from other Banks

€'000	30/6/2014	31/12/2013
Demand deposits	2,827,528	2,974,649
Time deposits	5,169,433	5,289,960
Borrowed funds	626,897	764,403
Total	**8,623,857**	9,029,012

(18) Deposits from Customers

€'000	30/6/2014	31/12/2013
Sight deposits	4,631,023	4,804,850
Time deposits	1,164,447	1,188,765
Savings deposits	2,109,813	2,286,719
Total	**7,905,282**	8,280,334

€'000	30/6/2014	31/12/2013
Public sector exposures	681,614	718,555
Retail exposures	4,462,243	4,343,404
Corporate exposures	2,187,125	2,649,902
Other	574,300	568,473
Total	**7,905,282**	8,280,334

(19) Liabilities Evidenced by Paper

€'000	30/6/2014	31/12/2013
Measured at amortized cost	6,472,811	6,046,963
Designated as at fair value through profit or loss	350,067	636,390
Total	**6,822,878**	6,683,353

The supplementary capital bonds and subordinated bonds that can no longer be counted, as they were before, towards supplementary capital under the new regulations introduced by the CRR regime are now recognized in the balance sheet line item *Liabilities evidenced by paper*. The carrying amount of the reclassified bonds was €118.6 million. Prior-year amounts have not been restated.

(20) Trading Liabilities

€'000	30/6/2014	31/12/2013
Negative fair values of derivative contracts	259,070	161,382
Accruals arising from derivatives	29,808	32,931
Total	**288,878**	194,313

(21) Other Liabilities

€'000	30/6/2014	31/12/2013
Tax liabilities	12,698	9,935
Negative fair values of derivative hedging instruments in fair value hedges	345,264	256,560
Negative fair values of derivative financial instruments designated as at fair value through profit or loss	45,792	41,126
Negative fair values of other derivative financial instruments	728,602	710,004
Interest accruals arising from derivative financial instruments	168,895	163,977
Contractual profit transfer	0	60,008
Remaining other liabilities	309,123	90,570
Total	**1,610,375**	1,332,180

(22) Provisions

€'000	30/6/2014	31/12/2013
Termination benefits	29,140	27,070
Post-employment benefits	46,800	43,200
Jubilee benefits and part-time work by older staff	5,663	5,318
Taxes	5	4
Other	59,063	91,265
Total	**140,671**	166,857

(23) Subordinated Debt Capital

€'000	30/6/2014	31/12/2013
Measured at amortized cost	902,766	984,890
Designated as at fair value through profit or loss	47,190	44,329
Total	**949,956**	1,029,219

The supplementary capital bonds and subordinated bonds that can no longer be counted, as they were before, towards supplementary capital under the new regulations introduced by the CRR regime are now recognized in the balance sheet line item *Liabilities evidenced by paper*. The carrying amount of the reclassified bonds was €118.6 million. Prior-year amounts have not been restated.

(24) Equity

€'000	30/6/2014	31/12/2013
Attributable to equity holders of the parent	***2,291,695***	***2,354,871***
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	1,505,532	1,631,163
Profit for the period after tax (attributable to equity holders of the parent)*	62,454	0
Minority interests	***0***	***55***
Total	**2,291,695**	**2,354,925**

* Because of the profit-transfer agreement in place with *Raiffeisen-Holding NÖ-Wien*, the principal equity holder of *Raiffeisenlandesbank NÖ-Wien AG*, up to and including 30 June 2014, profit for the year ended 31 December 2013 for the purposes of UGB/BWG remaining after transfers to the contractually provided reserves was transferred to *Raiffeisen-Holding NÖ-Wien*. Based on the answer to an enquiry regarding the interpretation of Article 28 of the Capital Requirements Regulation (CRR) by the European Banking Authority (EBA), the profit transfer agreement was terminated by mutual consent as of 30 June 2014. This ensures that our paid-in capital will remain eligible under the CRR regime.

(25) 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 assets and 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 and liquid market.

The Raiffeisenlandesbank NÖ-Wien Group used generally accepted and well-known valuation methods to value derivatives. Over-the-counter (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 derivatives that were not protected by CSAs (credit support annexes), a CVA (credit value adjustment) was carried out that captured the costs of hedging against this risk in the market. The 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.

During the first half, we made the changeover to overnight index swap discounting to allow for current market conditions. This changeover primarily affected interest rate derivatives and took existing hedging arrangements into account.

Raiffeisenlandesbank NÖ-Wien AG's bond portfolio was primarily valued on the basis of tradable market prices. If no quotes were available, the securities were measured using the DCF 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.

30/6/2014 €'000	**Level I**	**Level II**	**Level III**
Assets			
Trading assets	123,102	314,113	42,104
Securities and equity investments designated as at fair value through profit and loss	635,997	233,634	119,220
Securities and equity investments classified as available for sale and measured at fair value	3,448,260	355,614	57,488
Other assets (positive fair values of derivative financial instruments)	0	1,253,964	0
Liabilities			
Liabilities evidenced by paper designated as at fair value through profit or loss	0	350,067	0
Trading liabilities	953	286,877	0
Other liabilities (negative fair values of derivative financial instruments)	1,711	1,275,763	0
Subordinated debt capital designated as at fair value through profit or loss	0	0	47,190

31/12/2013 €'000	**Level I**	**Level II**	**Level III**
Assets			
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
Liabilities			
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 financial instruments)	0	1,141,233	0
Subordinated debt capital designated as at fair value through profit or loss	0	0	44,329

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

Reclassifications between Level I and Level II:

30/6/2014 €'000	**From level I to level II**	**From level II to level I**
Assets		
Securities and equity investments designated as at fair value through profit and loss	114,937	0
Securities and equity investments classified as available for sale and measured at fair value	33,329	0

31/12/2013 €'000	**From level I to level II**	**From level II to level I**
Assets		
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

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

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 DCF model taking into account the applicable yield curve in each case and a suitable credit spread. Furthermore, a number of funds were reclassified because of changes in the frequency of quotes.

There were no reclassifications from Level II to Level I during this reporting period.

Reconciliation
Financial instruments allocated to Level III:

2014 €'000	**Trading Assets**	**Securities and Equity Instruments**	**Subordinated Debt Capital**
At 1 January	***42,266***	***189,128***	***44,329***
Reclassified to level III	0	47,980	0
Purchases	0	85,315	0
Revaluation gains and losses (net trading income)	(166)	0	0
Revaluation gains and losses (profit/loss from financial investments)	0	19	1,976
Revaluation gains and losses (not recognized through profit or loss)	0	(26)	0
Gains less losses realized on disposal and recognized in the income statement	0	27	0
Disposals	0	(50,829)	0
Performance	0	(95,333)	0
Agio/disagio	0	8	0
Interest accruals	4	420	885
At 30 June	**42,104**	**176,708**	**47,190**
Revaluation gains and losses recognized in the Consolidated Income Statement on the financial instruments disclosed at 30 June	(166)	19	1,976

The reclassification on the assets side of the account affected a financial instrument where very large price jumps had occurred. This meant that there was no market consensus about its price.

2013 €'000	**Trading Assets**	**Securities and Equity Instruments**	**Subordinated Debt Capital**
At 1 January	*0*	*45,610*	*0*
Reclassified to level III	44,436	67,252	43,770
Purchases	0	97,339	0
Revaluation gains and losses (net trading income)	(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
Disposals	0	(10,715)	0
Performance	0	(2,880)	0
At 31 December	**42,265**	**189,129**	**44,329**
Revaluation gains and losses recognized in the Consolidated Income Statement on the financial instruments disclosed at 31 December	(2,182)	(8,390)	(1,642)

Quantitative information about the valuation of Level III financial instruments:

30/6/2014	**Type**	**Fair Value, €m**	**Valuation Method**	**Material Non-observable Input Factors**	**Range of Non-observable Input Factors**
Financial assets					
Shares and other variable-yield securities	Equities and funds	2.8	External valuations	Discounts	4(20)%
Bonds and other fixed-interest securities	Fixed-interest bonds	159.7	DCF model	Credit spread	2(40)%
Bonds and other fixed-interest securities	Credit linked notes	12.1	External valuations	Credit spread	1(3)%
Financial liabilities					
Subordinated debt	Index linked notes	36.4	External valuations	Credit spread	2.5(5)%
Subordinated debt	Fixed-interest bonds	10.7	DCF model	Credit spread	2.5(5)%

The methods used to measure securities to fair value were decided by the Valuations Department at *Raiffeisenlandesbank NÖ-Wien AG* and adopted by the Managing Board. The goal of such valuation guidance was to ensure the best possible measurement quality 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, those parameters could be chosen from a range of alternative parameterizations. At 30 June 2014, simulating shifts in the parameters to the ends of these ranges increased the fair value of the assets by €1.2 million or reduced it by €45.3 million and increased the fair value of the liabilities by €6.1 million or reduced it by €0.5 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 fair values.

Financial Instruments not Recognized at Fair Value

If no reliable market values were available for an equity instrument, 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 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 could be reliably deduced.

Additional Information

(26) Related Party Balances

Receivables from, payables to and contingent liabilities to entities in which the Raiffeisenlandesbank NÖ-Wien Group held equity investments and from or to *Raiffeisen-Holding NÖ-Wien* and its subsidiaries and entities accounted for using the equity method:

€'000	30/6/2014	31/12/2013
Loans and advances to other banks		
Parent	1,622,691	1,688,315
Associates	4,343,092	4,594,537
Loans and advances to customers		
Subsidiaries related via the parent	338,570	291,280
Unconsolidated subsidiaries	24,022	25,195
Associates	680,794	606,616
Associates related via the parent	236,033	245,967
Impairment allowance balance		
Unconsolidated subsidiaries	(2,004)	(2,001)
Trading assets		
Associates	32,192	25,603
Securities and equity instruments		
Parent	277	277
Associates	65,797	114,669
Associates related via the parent	11,800	11,665
Other assets		
Parent	186,456	153,895
Subsidiaries related via the parent	739	974
Associates	163,857	82,068
Associates related via the parent	2,069	1,708

€'000	30/6/2014	31/12/2013
Deposits from other banks		
Parent	248,395	250,030
Associates	2,699,587	2,750,742
Deposits from customers		
Subsidiaries related via the parent	101,012	315,090
Unconsolidated subsidiaries	18,413	18,129
Associates	116,318	61,491
Associates related via the parent	47,760	42,451
Liabilities evidenced by paper		
Parent	1,858	0
Unconsolidated subsidiaries	1,962	570
Subsidiaries related via the parent	42	40
Trading liabilities		
Associates	18	223
Other liabilities		
Parent	0	2,214
Subsidiaries related via the parent	4	0
Associates	62,839	57,546
Provisions		
Unconsolidated subsidiaries	232	229
Subordinated debt capital		
Parent	930	2,735

€'000	30/6/2014	31/12/2013
Contingent liabilities		
Parent	7,166	7,099
Subsidiaries related via the parent	14,250	18,034
Unconsolidated subsidiaries	872	1,238
Associates	360,427	366,140
Associates related via the parent	89,692	94,051

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. 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 so as to prevent duplication and achieve cost efficiency. In addition, a liquidity management agreement is in place between *Raiffeisenlandesbank NÖ-Wien AG* and *Raiffeisen-Holding NÖ-Wien*. It regulates relations between the two parties with respect to the supply, measuring and monitoring of liquid assets and the corresponding measures. The profit transfer agreement was terminated by mutual consent as of 30 June 2014 after the EBA had answered an enquiry regarding the interpretation of Article 28 of the CRR.

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	**30/6/2014**	**31/12/2013**
Sight deposit balances	3,018	2,769
Bonds	849	340
Savings deposit balances	624	679
Other receivables	169	177
Total	**4,659**	3,965
Current accounts	55	8
Loans	1,501	1,248
Other payables	138	145
Total	**1,695**	1,401

The table below presents relations with the persons related to the key management of *Raiffeisenlandesbank NÖ-Wien AG*:

€'000	**30/6/2014**	**31/12/2013**
Sight deposit balances	171	189
Bonds	8	0
Savings deposit balances	104	287
Other receivables	2	3
Total	**285**	479
Current accounts	1	1
Loans	0	36
Other payables	2	2
Total	**2**	39

(27) Issuances, Redemptions and Repurchases of Bonds

€'000	2014	2013
At 1 January	***7,712,962***	*6,636,522*
Issuances	618,554	1,090,264
Redemptions	(685,775)	(588,461)
Repurchases	(11,667)	(15,808)
Revaluation gains and losses, interest accruals	138,760	(102,164)
At 30 June	**7,772,834**	7,020,354

(28) Contingent Liabilities and other Off-Balance-Sheet Liabilities and Commitments

€'000	30/6/2014	31/12/2013
Contingent liabilities	***1,100,664***	*1,163,228*
Commitments	***5,345,127***	*5,149,144*
Of which revocable loan promises	3,183,664	3,250,389
Of which irrevocable loan promises	2,161,463	1,898,755

(29) Regulatory Own Funds

Raiffeisenlandesbank NÖ-Wien AG is a part of the *Kreditinstitutsgruppe* (credit institution group) of *Raiffeisen-Holding NÖ-Wien*. As a result, it is not subject to the provisions that apply to the *Kreditinstitutsgruppe* or the requirements for consolidated entities. Adherence to precisely these regulatory provisions at the level of the *Kreditinstitutsgruppe* is the responsibility of the superordinate institution, namely *Raiffeisen-Holding NÖ-Wien*. Consequently, the regulatory own funds requirements of the *Kreditinstitutsgruppe* are presented in the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien*. The provisions of the Basel III regime pursuant to the CRR and the provisions of the Capital Requirements Directive IV (CRD IV) regarding the calculation of own funds and own funds requirements incorporated into BWG have been applicable since 1 January. The following consolidated figures calculated in conformity with the provisions of BWG and the CRR were prepared at the level of the *Raiffeisenlandesbank NÖ-Wien AG* sub-group. They were brought into the calculations of the *Raiffeisen-Holding NÖ-Wien Kreditinstitutsgruppe*. The prior-year figures are presented on the basis of the Basel II rules that were applicable at the time at the level of the individual institution (*Raiffeisenlandesbank NÖ-Wien AG*) and, consequently, are not comparable.

€'000	**30/6/2014**
Paid-in capital	723,432
Retained earnings	1,675,429
Accumulated other comprehensive income and other equity	(229,088)
Common equity Tier 1 before deductions	***2,169,772***
Intangible assets incl. goodwill	(72,954)
Deductions in respect of equity instruments of financial sector entities	0
Corrections in respect of cash flow hedge reserves	1,729
Corrections for credit standing related changes in values of own liabilities	(43)
Corrections for credit standing related changes in values of derivatives	(2,816)
Value adjustment due to the prudent valuation requirement	(3,485)
Common equity Tier 1 capital after deductions (CET1)	***2,092,203***
Additional Tier 1 capital	0
Tier 1 capital after deductions (T1)	***2,092,203***
Eligible supplementary capital	827,648
Deductions from ancillary own funds	0
Ancillary own funds after deductions	***827,648***
Tier 3 capital	0
Total eligible own funds	***2,919,851***
Total own funds requirement	**1,028,383**
Common equity Tier 1 ratio (CET1 ratio), %	16.3
Tier 1 ratio (T1 ratio), %	16.3
Own funds ratio (total capital ratio), %	22.7
Surplus own funds ratio, %	183.9

On a 'fully loaded' basis, the own funds ratios of the *Raiffeisenlandesbank NÖ-Wien AG* sub-*Kreditinstitutsgruppe* were at a stable level in that no capital instruments were affected by phasing-out. Its fully loaded common equity Tier 1 ratio was 16.9 percent, and its total capital ratio was 22.6 percent.

€'000	31/12/2013
Paid-in capital	723,432
Earned capital	787,009
Hybrid capital	0
Intangible assets	(7,438)
Tier 1 capital	***1,503,003***
Deductions from Tier 1 capital	(25,162)
Eligible Tier 1 capital (after deductions)	***1,477,841***
Supplementary capital within the meaning of § 23 (1) 5 BWG	229,323
Hidden reserves	90,043
Long-term subordinated debt capital	672,860
Ancillary own funds	***992,226***
Deductions from ancillary own funds	(25,162)
Ancillary own funds (after deductions)	***967,064***
Eligible own funds	***2,444,906***
Tier 3 capital	14,721
Total own funds	**2,459,627**
Surplus own funds	1,442,588
Surplus own funds ratio, %	141.8
Tier 1 ratio (credit risk), %	***12.5***
Total Tier 1 ratio, %	***11.6***
Own funds ratio (credit risk), %	***20.8***
Total own funds ratio, %	***19.3***

The Tier 1 ratio and own funds ratio at 31 December 2013 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	30/6/2014
Own funds requirement	
Own funds requirement for credit risk	936,496
Own funds requirement for foreign exchange and commodities risks	22,018
Own funds requirement for the CVA	15,121
Own funds requirement for operational risk	54,748
Total own funds requirement (total risk)	**1,028,383**
Basis of assessment (credit risk)	***11,706,196***
Total basis of assessment (total risk)	***12,854,782***

€'000	31/12/2013
Own funds requirement	
Credit risk pursuant to § 22 Abs. 2 BWG	947,569
Trading book pursuant to § 22o Abs. 2 BWG	14,721
Operational risk pursuant to § 22i BWG	54,748
Total own funds requirement	1,017,038
Basis of assessment (credit risk) pursuant to § 22 Abs. 2 BWG	*11,844,613*
Basis of assessment (total risk)	*12,712,975*

(30) Average Number of Staff

The average number of staff employed during the period under review (full time equivalents) broke down as follows:

	1/1–30/6 2014	1/1–30/6 2013
White collar	1,205	1,291
Total	**1,205**	1,291

(31) Events After the Balance Sheet Date

No material events occurred between the end of the interim reporting period and the time of preparation of the Interim Report that were not reflected in the Interim Report.

Declaration by the Managing Board

The Managing Board of *Raiffeisenlandesbank NÖ-Wien AG* completed these Condensed Consolidated Interim Financial Statements as at and for the six months ended 30 June 2014 on 27 August 2014 in accordance with the provisions of the International Financial Reporting Standards (IFRSs) as adopted by the European Union. In addition, a Semi-Annual Consolidated Management Report was prepared. The requirements regarding interim financial reporting have thus been satisfied for the purposes of *§ 87 Börsegesetz* (Austrian stock exchange act).

"We confirm that, to the best of our knowledge, the Condensed Consolidated Financial Statements prepared in accordance with the applicable financial reporting standards present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Raiffeisenlandesbank NÖ-Wien Group; and that, to the best of our knowledge, the Semi-Annual Management Report of the Raiffeisenlandesbank NÖ-Wien Group presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Raiffeisenlandesbank NÖ-Wien Group with respect to the important events occurring during the first six months of the financial year and their impact on the Condensed Consolidated Interim Financial Statements and with respect to the material risks and uncertainties for the remaining six months of the financial year. We point out that IFRS-compliant financial reporting is, because of the system used, more forward-looking. For this reason, IFRS-compliant financial statements contain more planning elements and elements of uncertainty."

Vienna
27 August 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

Information in the Internet

Raiffeisenlandesbank Niederösterreich-Wien AG's website provides up-to-date, detailed information about *Raiffeisen* at www.raiffeisenbank.at.

The Interim Report for the first half of 2014 is also available electronically in the Internet at www.raiffeisenbank.at.

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