HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2017

KEY FIGURES OF VOLKSBANK WIEN AG

Euro million	30 Jun 2017	31 Dec 2016	restated 31 Dec 2015
Statement of financial position			
Total assets	**10,210**	**10,008**	**10,004**
Loans and advances to customers	4,285	4,351	3,722
Amounts owed to customers	4,908	4,691	3,992
Debts evidenced by certificates	484	725	798
Subordinated liabilities	24	29	18
Own funds according to Basel III for the VOLKSBANK WIEN AG group			
Common equity tier 1 capital (CET1)	432	449	364
Additional tier 1 capital (AT1)	0	0	0
Tier 1 capital (T1)	**432**	**449**	**364**
Tier 2 capital (T2)	6	7	10
Own funds	**439**	**456**	**374**
Risk weighted exposure amount - credit risk	2,458	2,433	2,084
Total risk exposure amount market risk	128	153	188
Total risk exposure amount operational risk	586	586	577
Total risk for credit valuation adjustment	61	60	90
Total risk exposure amount	**3,234**	**3,233**	**2,939**
Common equity tier 1 capital ratio[1)]	**13.37%**	**13.88%**	**12.38%**
Tier 1 capital ratio[1)]	**13.37%**	**13.88%**	**12.38%**
Equity ratio[1)]	**13.57%**	**14.10%**	**12.74%**
Income statement	**1-6/2017**	**1-6/2016**	**1-6/2015**
Net interest income	62.9	50.4	25.5
Risk provisions	9.7	-2.8	-2.7
Net fee and commission income	24.6	17.4	17.6
Net trading income	5.0	-2.7	0.1
General administrative expenses	-106.8	-96.8	-32.7
Restructuring cost	0.0	0.0	0.0
Other operating result	42.6	45.6	-0.1
Income from financial investments	-5.0	7.7	3.3
Income from companies measured at equity	-0.1	1.7	0.0
Result before taxes	**32.8**	**20.6**	**11.0**
Income taxes	0.0	-5.0	-0.9
Result after taxes	**32.8**	**15.6**	**10.0**
Non-controlling interest	0.0	0.0	0.0
Consolidated net income	**32.8**	**15.6**	**10.0**
Key ratios[2)]			
Operating cost-income-ratio	**78.4%**	**83.5%**	**75.9%**
ROE before taxes	**13.5%**	**10.5%**	**11.0%**
ROE after taxes	**13.5%**	**7.9%**	**10.1%**
ROE consolidated net income	**13.6%**	**8.0%**	**10.1%**
NPL ratio	**3.2%**	**3.0%**	**4.2%**
Net interest margin	**0.6%**	**0.5%**	**0.7%**
Resources	**1-6/2017**	**1-6/2016**	**1-6/2015**
Staff average	1,238	1,101	549
of which domestic	1,238	1,101	549
	30 Jun 2017	**31 Dec 2016**	**31 Dec 2015**
Staff at end of period	1,235	1,242	1,130
of which domestic	1,235	1,242	1,130
Number of sales outlets	65	78	64
of which domestic	65	78	64

1) In relation to total risk
2) The operating cost-income-ratio is the ratio between operating income and operating expenses. Operating income includes net interest income, net fee and commission income, net trading income and if positive other operating result and income from discontinued operation. Operating expenses include general administrative expenses and if negative other operating result and income from discontinued operation. Other operating result and income from discontinued operation is displayed net of other taxes, deconsolidation result and valuation result according to IFRS 5. The NPL ratio indicates the portfolio of non-performing loans relative to the total exposure of all loans and advances to customers. The net interest margin shows the net interest income relative to total assets.

CONTENT

HALF-YEAR FINANCIAL REPORT

Any role descriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.
English translation by All Languages Alice Rabl GmbH.

HALF-YEAR MANAGEMENT REPORT FOR THE FIRST HALF OF 2017

Report on the business development and economic situation

Business development

VOLKSBANK WIEN AG (VBW) is the biggest retail bank among Austrian Volksbanks and operates in the regions of Vienna, Burgenland, Weinviertel and Industrieviertel. Apart from its own retail business, it also takes care of the central organisation (CO) functions according to section 30a Austrian Banking Act (BWG) for the new Austrian Association of Volksbanks, assuming extensive management and steering functions. Among others, VBW is also responsible for risk and liquidity management across the Association. The members of the Association of Volksbanks assume unlimited liability among each other. The pro rata allocation of the CO's costs and risks to the members was contractually agreed.

Within the scope of the reorganisation process across the Association, it is planned to merge the Volksbanks into eight regional providers of banking services and two special purpose banks by the end of 2017. After failed negotiations of SPARDA-BANK AUSTRIA eGen (Sparda) with Sparda-Bank Hessen eGen, Sparda decided in January 2017 to remain a member of the Association of Volksbanks. In February 2017, a decision was made at VBW that VBW and Sparda should start preparatory talks and evaluations for the merger. Already in the first half of 2017, the owners of both banks resolved in their respective general meetings to contribute the banking operation of Sparda to VBW.

Moreover, agreements were made between VBW and Volksbank Niederösterreich AG with a view to starting negotiations as to whether and in what manner the cooperation between the two institutions might be intensified. Based on the geographical proximity and the closely related areas of business, cooperation models and the associated synergies are being evaluated.

In the third quarter of 2016, VBW concluded a rating agreement with the rating agency Moody's Investors Service. After completion of the rating process by Moody's, the rating was determined to be Baa2/P-2 for long-term and short-term deposits of VBW. Additionally, a rating agreement for covered bonds was concluded with Moody's. On 9 March 2017, Moody's awarded the highest rating (Aaa) for covered bonds of VBW. On 3 March 2017, the rating agency FitchRatings published an update of the long-term issuer rating for the Association of Volksbanks, upgrading the latter by one rating level to BBB-. Accordingly, both the rating of VBW awarded by Moody's and the Fitch rating of the Association of Volksbanks are within the investment grade range, enabling the Association of Volksbanks, and accordingly also VBW, to place issues on the capital market again. Equally on 3 March 2017, Fitch upgraded the rating for covered bonds of VBW by one level to A-. In February 2017, VBW terminated the covered bond rating agreement with Fitch, following which the covered bond rating was withdrawn by Fitch on 20 April 2017.

In order to intensify securities business, the cooperation with Union Investment Austria GmbH was intensified in the previous year through a new marketing agreement; additionally, to bundle consultancy business, the realignment of the branches was started. Now, in the first half of 2017, these measures have already had an effect: higher fee and commission income was achieved from securities transactions.

Since the end of June 2017, confirmed case law has been available regarding the handling of negative interest rates. VBW was no defendant in any of the proceedings concerned. Potentially affected credit accounts are currently being examined, and in the event of a claim being established, any excess interest charged will be refunded. A provision was made in this respect as at 30 June 2017.

Economic environment

The Austrian economy has developed quite well in the first half of 2017, also leaving the euro zone behind overall (gross domestic product +0.5% Q/Q in the first quarter, +0.6% Q/Q in the second). According to the Austrian Institute of Economic Research (WIFO), both the revised quarterly growth rate for the first quarter and the first forecast of the growth rate for the second quarter amounted to 0.8%. Accordingly, Austria's gross domestic product (GDP) was higher by 2.2% in real terms than one year ago, although the second quarter of the current year had 2.5 working days less than last year.

All GDP components increased. Due to the fact that the dynamics of consumer spending had benefited from last year's tax reform and accordingly the basis was quite high, it decreased slightly. Nevertheless, private consumption increased by 0.3% Q/Q in the second quarter. Government spending developed cautiously in both quarters (0.1% Q/Q, respectively). The good dynamics in equipment and building investments (gross capital investments) was encouraging – although slackening somewhat towards the second quarter – at 1.7% Q/Q in the first and 1.2% Q/Q in the second quarter. Exports were the GDP component showing the strongest growth: 2% Q/Q in the first and 2.4% in the second quarter. Imports, while also growing strongly, lagged behind exports.

In terms of economic sectors as well, economic development was very balanced as well. All quarterly growth rates of the respective industrial sectors were positive. In the second quarter, they ranged from 2.2% in the processing industry via 0.9% Q/Q in construction and 0.7% in retail down to 0.5% Q/Q in tourism (accommodation and gastronomy).

The dynamics of residential property prices has flattened slightly. According to house price indices of Statistics Austria and Eurostat, at an annual rate of 4.8% in the first quarter, they nevertheless remained higher than in the euro zone overall (4%) and were also increasing again according to the quarterly rates. Within Austria, according to OeNB data, the dynamics in Vienna was below average with a slightly negative overall annual rate. In Vienna, preowned freehold flats recorded slight price decreases (-1.3% Y/Y), new flats showed moderate increases (1.5% Y/Y), and single-family houses experienced a veritable price surge (15.7% Y/Y).

In the first half of the year, the Austrian unemployment rate fluctuated between 5.8% (February) and 5.2% (June), according to the international method of calculation (Eurostat). Accordingly, it showed a decreasing trend, but remained slightly elevated in historical terms. Starting from markedly higher values, the unemployment rate registered a declining trend in the euro zone as well, falling from 9.6% in January to 9.1% in June.

Fluctuating between 2.0% and 2.4%, the Austrian inflation rate according to the Harmonised Index of Consumer Prices (HICP) slightly exceeded the target inflation rate of the European Central Bank in each of the first six months of the year. Accordingly, the inflation rates in Austria continued to be among the highest in the euro zone. In the first half of the year, the rates of price increases varied between 2.0% (February) and 1.3% (June) in the common currency zone.

The European Central Bank (ECB) left the key interest rate unchanged in the first half of 2017. The main refinancing rate continued to be 0.00%, the interest rate for the prime refinancing facility 0.25% and the deposit rate -0.40%. The securities purchasing programme in the first quarter comprised a monthly amount of euro 80 billion and was reduced to euro 60 billion per month in the second quarter, according to plan. Moreover, in March, the last of the targeted long-term refinancing operations (TLTRO2) was carried out, reaching a volume of some euro 234 billion.

In the first half of the year, the three-month Euribor was constantly around -0.33%. The yields of ten-year government bonds, hitherto considered safe, moved laterally within a range of approx. 30 basis points. In Austria, they fluctuated between 0.40% and 0.72% and in Germany between 0.16% and 0.49%. The economic upturn in the euro zone and the associated expectations for the extremely expansive monetary policy of the ECB to end were responsible for the fact that yields concluded the first half of the year within the upper end of the lateral range.

Group result for the first half of 2017

Due to the contributions in the 2016 financial year, the figures of the reporting period are comparable to those of the previous year to a limited extent only. Moreover, the previous year's figures were adjusted according to IAS 8 both in the consolidated financial statements as at 31 December 2016 and in the present semi-annual report.

The consolidated income of VBW before taxes amounts to euro 33 million (1-6/2016: euro 21 million). The consolidated income after taxes and minority stakes equally amounts to euro 33 million (1-6/2016: euro 16 million).

The net interest income for the first half of 2017 amounts to euro 63 million, thus exceeding the income for the comparative period (1-6/2016: euro 50 million) by euro 12 million. The increase is essentially due to mergers in 2016.

In the first half of 2017, at euro +10 million, the risk provision item has greatly improved against the comparative period (euro -3 million). This effect results from reversals of individual impairments and a lower requirement of provisions for portfolio impairments.

The net fee and commission income in the reporting period amounts to euro 25 million, an increase compared to the previous period (1-6/2016: euro 17 million). The increase results from the mergers in the second half of 2016. Net trading income amounts to euro 5 million for the reporting period and has improved against the previous year.

General administrative expenses of euro 107 million (1-6/2016: euro 97 million) have increased by comparison with the previous year. Compared to the end of 2016, the headcount decreased by 7 employees from 1,242 and amounts to 1,235 employees as at 30 June 2017 (30 June 2016: 1,091 employees). As at 30 June 2016, VBW had a staff of 1,091. The increase was essentially caused by the contributions of VB Weinviertel, VB Südburgenland and VB Niederösterreich Süd in the second half of 2016.

Apart from the income from charged-out costs, the other operating result includes income from early redemptions of issues in the amount of euro 7 million (1-6/2016: euro 0 million). For the allocation to interest claims for 2015 and 2016 from the charging of negative interest rates, euro -2 million were reported in this position. The bank levy is included with an amount of euro -1 million (1-6/2016: euro -5 million).

The income from financial investments for the reporting period amounts to euro -5 million, thus exceeding the comparative period (1-6/2016: euro 8 million) by euro 13 million. The effect is almost exclusively due to the valuation of derivatives.

In the comparative period, the result of the companies measured at equity amounted to euro 2 million, resulting from taking over the proportional result of the participating interests in IMMO-BANK AG and Volksbank Kärnten eG, which have been accounted for in the balance sheet at equity ever since the take-over of the CO business unit.

Due to the tax planning of the next four years, it was possible, in the reporting period, to recognise deferred tax assets for part of the tax loss carried forward. For tax loss carried forward in the amount of euro 286 million (30 June 2016: euro 360 million), no deferred tax assets are recognised. Deferred tax is recognised for the remaining valuation differences, especially in connection with the valuation of derivatives and securities.

Financial position

As at 30 June 2017, total assets amounted to euro 10.2 billion and have slightly increased by comparison with the end of 2016 (euro 10.0 billion).

Compared to the end of the previous period (euro 2.2 billion), loans and advances to credit institutions have decreased to euro 1.8 billion. The decrease essentially results from lower refinancing requirements of the banks of the Association.

As at 30 June 2017, loans and advances to customers, less risk provisions, amount to euro 4.2 billion and have decreased slightly compared to the end of the previous year (euro 4.3 billion).

At euro 1.8 billion, financial investments remained at a similar level as at the end of 2016 (euro 1.9 billion).

As at 30 June 2017, the assets available for sale show the carrying amount of property and of IAS 40 items.

At euro 3.6 billion, amounts owed to credit institutions have increased compared to the end of 2016 (euro 3.3 billion). The main reason are higher deposits of the Volksbanks with VBW. Amounts owed to customers in the amount of euro 4.9 billion have slightly increased compared to the end of 2016 (euro 4.7 billion).

As at 30 June 2017, certificated liabilities amount to euro 0.5 billion and, due to early redemptions, have decreased compared to 31 December 2016 (euro 0.7 billion).

Compared to the end of the previous year, equity has changed by euro 26 million; the increase due to the result for the first half of 2017 is countered by an opposing effect in the amount of euro 13 million from the distribution of VB Rückzahlungsgesellschaft mbH to the federal government.

Financial performance indicators

As at 30 June 2017, the regulatory own funds of the VBW KI Group amount to euro 0.4 billion (31 December 2016: euro 0.4 billion). As at 30 June 2017, the aggregate risk amount was euro 3.2 billion (31 December 2016: euro 3.2 billion). The Tier 1 capital ratio in relation to total risk amounts to 13.37% (31 December 2016: 13.88%), the equity ratio in relation to total risk is 13.57% (31 December 2016: 14.10%). Regulatory own funds, aggregate risk amount and the key indicators calculated therefrom were determined acc. to CRR (EU Regulation No. 575/2013). For more detailed information, please refer to the Notes.

Performance indicators	1-6/2017	1-6/2016	1-6/2015
Return on Equity before taxes	13.5%	10.5%	11.0%
Return on Equity after taxes	13.5%	7.9%	10.1%
Cost-income ratio	78.4%	83.5%	75.9%

The ROE before taxes is determined as the quotient of result before taxes and the mean value of own funds at the balance sheet date and the balance sheet date of the previous year.

The ROE after taxes is determined as the quotient of result after taxes and the mean value of own funds at the balance sheet date and the balance sheet date of the previous year.

The operative cost-income ratio is calculated from operating income in relation to operating expenses. The operating income consists of net interest income, net fee and commission income, net trading income, as well as the other operating result, and result of a disposal group, if positive. The operating expenditure includes the general administrative expenses as well as the other operating result, and result of a disposal group, if negative. The other operating result and the result of a disposal group are adjusted for other taxes, deconsolidation result and IFRS 5 measurement.

The performance indicators shown are considered as customary within the industry and are essential factors for the credit rating of banks. Additionally, within VBW, the cost-income ratio was defined as early warning indicator for the Bankensanierungs- und Abwicklungsgesetz (BaSAG, Act on the Reorganisation and Liquidation of Banks).

Report on the company's future development and risks

Future development of the company

Economic environment

Against the background of the solid export boom, a basically expansive monetary policy, stable oil prices, an improved situation on the labour market, and a certain easing in fiscal policy terms, economic recovery in Austria and in the entire euro zone should be able to continue for the rest of the year. While the Purchasing Managers' Index of Austrian industry, which was calculated for Bank Austria by IHS Markit, weakened slightly in July, it remained extraordinarily strong nevertheless at 60 points. According to the economic forecast of the WIFO published in June, the Austrian economy is expected to grow by 2.4% this year and unemployment is going to decrease slightly. This year, Austria's inflation rate is expected to reach 1.8%.

According to the macroeconomic forecasts of the European Central Bank, economic growth in the euro zone is likely to amount to 1.9% in the current year, and the average inflation rate will probably amount to 1.5%. In the next two years as well, ECB economists do not expect the target inflation rate of a little under 2% to be achieved yet. Against this background, the market expectation that has emerged towards the end of the first half of the year, to the effect that initial steps towards a normalisation of monetary policy may be taken soon, might be premature. In its most recent Financial Stability Review (May 2017), the ECB described the revaluation of bonds (as actually effected to some extent around mid-year) and increasing indebtedness (which is very dynamic, especially in China) as substantial systemic risks.

An abrupt global rise in interest rates constitutes a potential source of risk, especially for the real estate market, while for the financial industry any prolonged persistence of interest rates below zero per cent is associated with a yield risk. Another element of uncertainty are simmering protectionist tendencies that might be both a consequence of the political change in the USA and a side effect of Great Britain's exit from the EU. Also technological change in the automotive sector, possibly accelerated by the diesel scandal, involves a certain risk potential for the relevant suppliers and service providers in the medium term. Within Europe, the banking sector still counts among the risk factors to a certain extent, and last but not least, geopolitical conflicts always have the potential to cloud a basically friendly economic outlook.

Outlook – mergers planned for 2017

In the first half of 2017, the Annual General Meeting of VBW and the general meeting of Sparda resolved upon the contribution of the banking operation of Sparda to VBW. Registration in the Companies' Register was effected on 17 August 2017. In the course of the contribution, a capital increase was carried out at VBW in the amount of euro 3,851k. Moreover, a cash capital increase in the amount of euro 15,500k was carried out by the previous owners in the course of the contribution.

Business development

The low interest rate environment that is expected to continue calls for a streamlining of the cost structure and an increase in productivity. For this purpose, additional cooperation models, among others, are being evaluated within the Association of Volksbanks. Additional mergers cannot be excluded at present either.

Moreover, the focus of VBW is on growth in retail business, supported by an increased commitment to advance the digitalisation of sales, in particular. The volume of business is going to increase also due to the contribution of Sparda. Additionally, cost savings potentials are meant to be exploited through the mergers, and the bank is meant to grow due to increased credit and commission business. In spite of the expected burdens caused by supreme court decisions on negative interest rates, and in spite of the persistently high investments in the systems of the bank, and the permanently high regulatory costs, an annual result in the low two-digit euro million range is expected again. The CET 1 capital ratio is intended to remain at around 12% within the group, with simultaneously increasing growth.

CONTENT

HALF-YEAR FINANCIAL REPORT

Condensed statement of comprehensive income

Income statement	1-6/2017 Euro thousand	restated 1-6/2016 Euro thousand	Changes Euro thousand	%
Interest and similar income	95,924	61,268	34,656	56.56 %
Interest and similar expense	-33,061	-10,824	-22,237	> 200.00 %
Net interest income	62,864	50,444	12,420	24.62 %
Risk provisions	9,680	-2,819	12,499	< -200.00 %
Fee and commission income	40,172	31,639	8,533	26.97 %
Fee and commission expenses	-15,567	-14,261	-1,306	9.16 %
Net fee and commission income	24,605	17,378	7,227	41.59 %
Net trading income	5,036	-2,695	7,731	< -200.00 %
General administrative expenses	-106,768	-96,751	-10,017	10.35 %
Other operating result	42,555	45,620	-3,065	-6.72 %
Income from financial investments	-5,018	7,727	-12,745	-164.94 %
Income from companies measured at equity	-139	1,714	-1,853	-108.08 %
Result for the period before taxes	32,817	20,618	12,198	59.16 %
Income taxes	-14	-4,986	4,972	-99.71 %
Result for the period after taxes	32,802	15,632	17,170	109.84 %
Result attributable to shareholders of the parent company (Consolidated net result)	32,794	15,630	17,165	109.82 %
thereof from continued operations	32,794	15,630	17,165	109.82 %
thereof from discontinued operations	0	0	0	0.00 %
Result attributable to non-controlling interest	8	2	5	> 200.00 %
thereof from continued operations	8	2	5	> 200.00 %
thereof from discontinued operations	0	0	0	0.00 %

Other comprehensive income	1-6/2017 Euro thousand	restated 1-6/2016 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**32,802**	**15,632**	**17,170**	**109.84 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation obligation of defined benefit plans (IAS 19)	0	-4,180	4,180	-100.00 %
Deferred taxes of revaluation IAS 19	0	1,045	-1,045	-100.00 %
Total items that will not be reclassified to profit or loss	0	-3,135	3,135	-100.00 %
Items that may be reclassified to profit or loss				
Available for sale reserve (including deferred taxes)				
Change in fair value	6,058	-6,927	12,985	-187.46 %
Net amount transferred to profit or loss	-428	322	-750	< -200.00 %
Change in deferred taxes of untaxed reserves	0	0	0	100.00 %
Change from companies measured at equity	-22	17	-39	< -200.00 %
Total items that may be reclassified to profit or loss	**5,608**	**-6,588**	**12,196**	**-185.12 %**
Other comprehensive income total	**5,608**	**-9,723**	**15,331**	**-157.68 %**
Comprehensive income	**38,410**	**5,909**	**32,501**	**> 200.00 %**
Comprehensive income attributable to shareholders of the parent company	38,402	5,911	32,491	> 200.00 %
thereof from continued operations	38,402	5,911	32,491	> 200.00 %
thereof from discontinued operations	0	0	0	0.00 %
Comprehensive income attributable to non-controlling interest	8	-2	10	< -200.00 %
thereof from continued operations	8	-2	10	< -200.00 %
thereof from discontinued operations	0	0	0	0.00 %

Condensed statement of financial position as at 30 June 2017

	30 Jun 2017 Euro thousand	31 Dec 2016 Euro thousand	Changes Euro thousand	%
Assets				
Liquid funds	1,931,049	1,119,252	811,797	72.53 %
Loans and advances to credit institutions (gross)	1,763,418	2,196,042	-432,624	-19.70 %
Loans and advances to customers (gross)	4,285,495	4,351,134	-65,639	-1.51 %
Risk provisions (-)	-55,167	-69,099	13,932	-20.16 %
Trading assets	91,128	137,550	-46,422	-33.75 %
Financial investments	1,813,089	1,855,462	-42,373	-2.28 %
Investment property	31,036	32,949	-1,913	-5.81 %
Companies measured at equity	21,885	22,046	-161	-0.73 %
Participations	15,500	15,781	-281	-1.78 %
Intangible assets	30,967	31,652	-685	-2.17 %
Tangible fixed assets	126,779	128,851	-2,071	-1.61 %
Tax assets	49,255	48,538	718	1.48 %
Current tax assets	2,170	1,108	1,062	95.81 %
Deferred tax assets	47,085	47,429	-344	-0.73 %
Other assets	105,545	137,534	-31,989	-23.26 %
Assets held for sale	429	0	429	100.00 %
TOTAL ASSETS	**10,210,410**	**10,007,692**	**202,717**	**2.03 %**
Liabilities and Equity				
Amounts owed to credit institutions	3,633,478	3,338,048	295,430	8.85 %
Amounts owed to customers	4,907,833	4,691,373	216,459	4.61 %
Debts evidenced by certificates	484,156	725,217	-241,061	-33.24 %
Trading liabilities	357,162	413,543	-56,380	-13.63 %
Provisions	82,662	82,259	402	0.49 %
Tax liabilities	6,330	5,968	362	6.07 %
Current tax liabilities	5,242	4,892	350	7.17 %
Deferred tax liabilities	1,088	1,077	12	1.07 %
Other liabilities	217,119	251,255	-34,136	-13.59 %
Subordinated liabilities	24,169	28,881	-4,712	-16.32 %
Equity	497,500	471,147	26,353	5.59 %
Shareholders' equity	493,551	467,189	26,362	5.64 %
Non-controlling interest	3,949	3,958	-9	-0.22 %
Total Liabilities and Equity	**10,210,410**	**10,007,692**	**202,717**	**2.03 %**

Condensed changes in the Group's equity

Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	IAS 39 valuation reserves: Available for sale reserve [2]	Shareholders' equity	Non-controlling interest	Equity
As at 1 January 2016	**114,481**	**154,162**	**109,935**	**15,174**	**393,752**	**2,674**	**396,426**
Consolidated net income [3]			15,630		15,630	2	15,632
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)			-3,130		-3,130	-5	-3,135
Available for sale reserve (including deferred taxes)				-6,605	-6,605	0	-6,605
Change from companies measured at equity			0	17	17		17
Comprehensive income	0	0	12,500	-6,589	5,911	-2	5,909
Dividends paid			-100		-100	-19	-119
Participation capital	-7,004	-845			-7,849	0	-7,849
Payment Shareholder		9,883			9,883		9,883
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			-9		-9	1	-8
As at 30 June 2016	**107,477**	**163,200**	**122,326**	**8,586**	**401,589**	**2,654**	**404,242**
As at 1 January 2017	**126,938**	**212,209**	**116,624**	**11,419**	**467,189**	**3,958**	**471,147**
Consolidated net income [3]			32,794		32,794	8	32,802
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)			0		0		0
Available for sale reserve (including deferred taxes)				5,630	5,630	0	5,630
Change from companies measured at equity			-3	-19	-22		-22
Comprehensive income	0	0	32,792	5,610	38,402	8	38,410
Dividends paid			-12,699		-12,699	-16	-12,715
Payment Shareholder		658	0		658		658
Umbuchung Kapitalrücklage		-10,290	10,290		0		0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			0		0		0
As at 30 June 2017	**126,938**	**202,576**	**147,007**	**17,029**	**493,551**	**3,949**	**497,500**

1) Subscribed capital corresponds to the figures reported in the financial statements of VOLKSBANK WIEN AG (VBW).
2) As at 30 June 2017, the available for sale reserve included deferred taxes of euro -5,676 thousand (30 June 2016: euro -2,862 thousand).
3) In 2017 (and 2016) the financial statements of VBW contain no currency translation differences resulted from the application of average rates of exchange in the income statement, whether for shareholders' equity nor for non-controlling interest.

Condensed cash flow statement

In euro thousand	1-6/2017	1-6/2016
Cash and cash equivalents at the end of previous period (= liquid funds)	1,113,587	1,280,269
Cash flow from operating activities	864,809	55,556
Cash flow from investing activities	-40,847	-8,271
Cash flow from financing activities	-16,769	9,784
Cash and cash equivalents at the end of period	1,920,779	1,337,338

Details to cash and cash equivalents are shown in note 5).

Condensed Notes to the Financial Statements for the period from 1 January to 30 June 2017

1) General information and accounting principles

VOLKSBANK WIEN AG (VBW), which has its registered office at Kolingasse 14-16, 1090 Vienna, is the parent company of national acting subsidiaries and the central organisation (CO) of the Austrian Volksbank sector. In addition to the sector business with Volksbanks, the priorities in private und corporate customer business are based in Austria.

The interim financial statements of VBW as at 30 June 2017 were prepared on the basis of all IFRS/IAS standards published by the International Accounting Standards Board (IASB) applicable as at the reporting date, and all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee, in so far as these have also been adopted by the European Union in the endorsement process and their application is mandatory. These interim financial statements fulfil the requirements of IAS 34 - Interim Financial Reporting.

The interim financial statements do not contain all information required for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2016. The accounting policies, estimates and assumptions on which these financial statements are based are the same as those used in the preparation of the consolidated financial statements as at 31 December 2016.

These condensed consolidated interim financial statements have not been reviewed by the statutory auditor.

The accounts have been prepared on the assumption that it will remain a going concern. The interim consolidated financial statements have been drawn up in euro as this is the Group's functional currency. All figures are indicated in thousands of euros, unless specified otherwise. The following tables may contain rounding differences.

Changes to accounting standards

As at 30 June 2017 no new standards or interpretations are applicable to reporting periods beginning on 1 January 2017. Amendments to standard or interpretations have no impact on the interim financial statements of VBW.

IFRS 9 – Financial instruments. In July 2014, the final version of IFRS 9 was published. The new standard must be applied to reporting periods beginning on or after 1 January 2018.

Classification and recognition of financial instruments

In the future financial assets will only be classified and measured in two groups: at amortised cost and at fair value. The group of financial assets at amortised cost consists of such financial assets that only provide for the entitlement to interest and redemption payments at given points in time (SPPI criterion) and that are also held within the scope of a business model for the purpose of holding assets. All other financial assets belong to the group of financial assets measured at fair value.

Verification of the SPPI criterion was completed with respect to loans and securities portfolios at the end of 2016. Questionable fixed interest rates were checked on the basis of a benchmark test and accordingly recognised as SPPI-non-compliant and SPPI-compliant. The benchmark test assesses whether the deviation of the undiscounted contractual cash flows of potential non-compliant fixed interest rates as opposed to undiscounted cash flows of benchmark instruments should be assessed as SPPI-non-compliant. Regarding evaluation of the number of SPPI-non-compliant instruments the volume stated in the published consolidated financial report is still assumed. The SPPI criterion of those loans and credits is not met primarily due to non-compliant fixed interest rates tied to secondary market yields. A potential positive fair value effect due to this accounting change in the VBW Group – lying within one-digit million range – is still assumed.

Basically, all lending portfolios are defined as “to be held”, unless there is any intention to sell the loans or the company holding such loans. If the SPPI criterion is met, therefore, valuation is effected at amortised cost. Those portfolios that are meant to be sold, and those that are held in companies up for sale are designated as “for sale” and must mandatorily be measured at fair value through profit or loss. The analysis regarding business model allocation of securities has already been completed within VBW in 2016. According to the current plan, all valuation methods under IFRS 9 (valuation at cost, fair value measurement through profit or loss, as well as fair value measurement through OCI) are applied to the securities portfolio within the VBW Group. A decision as to application of the option of measuring equity instruments at fair value through OCI (OCI option) will only be taken in the course of 2017.

Accounting of impairments of financial assets

Due to the new regulations, not only losses already occurred but also expected losses must be recognised. In this context, the extent of recognition of expected losses is distinguished as to whether the default risk of financial assets has deteriorated significantly or not ever since their addition. If deterioration has occurred, and if the default risk cannot be assessed as minor on the reporting date, all lifetime expected credit losses must be recognised. Otherwise, only those losses expected for the lifetime of the instrument must be taken into account that result from future potential loss events within the next twelve months. Exceptions apply to trade receivables and leasing receivables. For these assets, entities must (in the case of receivables that do not contain a significant financing component) or may (in the case of receivables that contain a significant financing component and in the case of lease receivables) recognise all expected losses upon acquisition.

The lifetime probability of default is required to determine lifetime expected credit losses. Due to application of the new calculation logic of the ECL under IFRS 9, an additional capital requirement for level 1 and level 2 (of the 3-level valuation model) in the range between euro 9 and 13 million is expected. For this risk provision simulation of the off-balance sheet transactions the VBW Group currently uses regulatory credit conversion factors (CCFs). The CCF transforms the amount of an unused credit line and other off-balance sheet transactions into an EAD amount (exposure at default). It is being examined at present if the regulatory CCFs used are suitable for IFRS 9 purposes.

Accounting of hedging relationships

The new regulations intend a stronger focus of hedge accounting on the economic risk management of the company. As previously, companies are obliged to document the respective risk management strategy including risk management goals at the beginning of a hedging relationship; but in the future, the relationship between the hedged underlying transaction and the hedging instrument will have to correspond to the requirements of the risk management strategy. According to current assumptions hedge accounting within VBW will be applied according to IFRS 9 as of 1 January 2018. Hence, the option to apply hedge accounting in line with the previous way of procedure under IAS 39 until finalisation of the macro hedge accounting project will probably not be exercised. Adjustments to IFRS 9 are expected to have minor impact on existing hedging relationship.

IFRS 15 – Revenue from Contracts with Customers. IFRS 15 applies to revenues from customer contracts and is going to replace the previously applicable standards IAS 11 and IAS 18. IFRS 15 features a principle-based five-step framework, which first identifies the contract with a customer and the separate performance obligations contained therein. The transaction price of the customer contract is then determined and allocated to the individual performance obligations. Revenues are to be recognised once the customer can dispose of the agreed services - either based on a period or a specific point in time. The transfer of opportunities and risks is no longer decisive. The revenues must be measured at the amount of the consideration the company expects to receive.

Interest income and dividends from ordinary operations previously under IAS 18 are only covered by IFRS 15 to a limited extent. The provisions under IFRS 9 and IAS 39 are applicable to payments for financial services, if they constitute an integral part of the effective interest rate. In terms of content, this will not have any impact on the previous approach. Therefore, the distinction of revenue under IFRS 15 from income from financial instruments under IFRS 9, as well as from income from leases under IFRS 16 and/or IAS 17 is of particular importance to the VBW Group. Commission fees and charges may fall within the scope of IFRS 15. The information contained in the notes will be more comprehensive compared to IAS 18. Concerning income from financial services under IAS 39 and/or IFRS 9, the disclosure regulations under IFRS 7 Financial instruments continue to apply. The application of the standard is not going to cause any significant changes with respect to the realisation of revenue compared to the former approach.

IFRS 16 – Leases. In January 2016, the new regulations on the accounting of leases were published. To date the standards have not yet been adopted by the European Union. The VBW Group is currently assessing the potential impact of IFRS 16 on the consolidated financial statements. Within the VBW, business transactions subject to application of IFRS 16 concern motor vehicle, real estate and IT components. Significant change concerns the reporting of operating leases at the lessee, as assets and liabilities from operating leases will now have to be reported. There is an option to report leasing agreements with a term of less than 12 months and those with low value underlyings as expenses. It has not been decided yet whether practical simplifications possible under IFRS 16 will be used. The accounting of lease arrangements at the lessor will change only slightly compared to IAS 17. The information contained in the notes will be more comprehensive as compared to IAS 17. No significant effects are expected with respect to financial leases.

a) Adaptation of comparable figures according to IAS 8

Within the scope of the impairment test of the customer relationships of the year 2015 from the purchase price allocation of the CO function, it was found that due to the special features of the cost allocation agreement with the members of the Association of Volksbanks a correlation exists with the valuation of the customer relationships within the CO. Hence, the customer relationship does not represent a separate asset. The values recognised in the previous year were restated in the present financial statements.

Restatement profit and loss account

Euro thousand	1-6/2016
General administrative expenses	643
Result before taxes	**643**
Income taxes	-161
Result after taxes	**483**
Result attributable to shareholders of the parent company (Consolidated net result)	483
Result attributable to non-controlling interest	0
Other comprehensive income total	**483**
Comprehensive income	**483**
Comprehensive income attributable to shareholders of the parent company	483
Comprehensive income attributable to non-controlling interest	0

The restatement is attributable to continued operation.

2) Presentation and changes in the scope of consolidation

In the first half of 2017 no changes in the scope of consolidation of the VBW Group occurred.

3) Subsequent events

In the first half of 2017, the Annual General Meeting of VBW and the general meeting of Sparda resolved upon the contribution of the banking operation of Sparda to VBW. Registration in the Companies' Register was effected on 17 August 2017. In the course of the contribution, a capital increase was carried out at VBW in the amount of euro 3,851 thousand. Moreover, a cash capital increase in the amount of euro 15,500 thousand was carried out by the previous owners in the course of the contribution.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2017	1-6/2016
Interest and similar income	95,924	61,268
Interest and similar income from	92,356	57,512
liquid funds	0	25
credit and money market transactions with credit institutions	3,631	1,476
credit and money market transactions with customers	57,804	49,849
debt securities	22,792	171
derivatives in the investment book	8,128	5,992
Current income from	2,194	2,227
equities and other variable-yield securities	446	206
other affiliates	0	200
investments in other companies	1,748	1,821
Income from operating lease and investment property	1,374	1,529
rental income investment property	1,374	1,529
Interest and similar expenses of	-33,061	-10,824
deposits from credit institutions (including central banks)	-6,608	-3,851
deposits from customers	-4,335	-6,023
debts evidenced by certificates	-9,355	-711
subordinated liabilities	-191	-240
derivatives in the investment book	-12,572	0
Net interest income	**62,864**	**50,444**

Net interest income according to IAS 39 categories:

Euro thousand	1-6/2017	1-6/2016
Interest and similar income	95,924	61,268
Interest and similar income from	92,356	57,512
derivatives in the investment book	8,128	5,992
financial investments not at fair value through profit or loss	84,228	51,520
financial investments available for sale	21,308	-417
financial investments at amortised cost	61,435	51,353
of which unwinding of risk provisions	610	628
financial investments held to maturity	1,484	584
Current income from	2,194	2,227
financial investments available for sale	2,194	2,227
Income from operating lease and investment property	1,374	1,529
Interest and similar expenses of	-33,061	-10,824
derivatives in the investment book	-12,572	0
financial investments at amortised cost	-20,489	-10,824
Net interest income	**62,864**	**50,444**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 3,171 thousand (1-6/2016: euro 8,713 thousand) and interest expenses of euro -3,635 thousand (1-6/2016: euro -5,717 thousand) were realised in the first half of 2017 business year. Negative interest income is reported in interest expenses and negative interest expenses are reported in interest income, so that all results from negative interest rates are shown gross.

The main reasons for the negative interest rates are, firstly, the reduction in the ECB's deposit rate (penalty rate), the negative effect of which is euro -2,483 thousand (1-6/2016: euro -1,901 thousand) on the result and otherwise involve CHF/EUR swaps.

The changes in interest and similar income from debt securities as well as interest and similar expenses of debts evidenced by certificates are primarily caused by a changed accounting logic regarding derivatives. For transactions which are designated in a hedging relationship the interest result is no longer netted against the result from the underlying instrument but is shown separately under position interest and similar expenses of derivatives in the investment book.

Risk provisions

Euro thousand	1-6/2017	1-6/2016
Allocation to risk provisions	-7,216	-8,142
Release of risk provisions	15,888	10,332
Allocation to provisions for risks	-574	-374
Release of provisions for risks	1,582	3,109
Direct write-offs of loans and advances	-1,937	-9,131
Income from loans and receivables previously written off	1,936	1,386
Risk provisions	**9,680**	**-2,819**

Net fee and commission income

Euro thousand	1-6/2017	1-6/2016
Fee and commission income from	40,172	31,639
lending operations	6,693	4,346
securities businesses	16,992	14,043
payment transactions	12,831	9,012
foreign exchange, foreign notes and coins and precious metals transactions	56	1,758
other banking services	3,601	2,480
Fee and commission expenses from	-15,567	-14,261
lending operations	-4,969	-8,258
securities businesses	-9,192	-4,945
payment transactions	-1,397	-1,027
other banking services	-8	-31
Net fee and commision income	**24,605**	**17,378**

Net fee and commission income does not include any income or expenses from financial investments designated at fair value through profit or loss.

Net trading income

Euro thousand	1-6/2017	1-6/2016
Equity related transactions	-14	-16
Exchange rate related transactions	5,291	2,015
Interest rate related transactions	-241	-4,693
Net trading income	**5,036**	**-2,695**

General administrative expenses

Euro thousand	1-6/2017	1-6/2016
Staff expenses	-54,791	-48,917
Other administrative expenses	-47,855	-42,301
Depreciation of fixed tangible and intangible assets	-4,121	-5,533
General administrative expenses	**-106,768**	**-96,751**

Other operating result

Euro thousand	1-6/2017	1-6/2016
Other operating income	51,884	67.804
Other operating expenses	-8.170	-17.019
Other taxes	-1,159	-5,165
Other operating result	**42,555**	**45,620**

Other operating income includes, apart from income due to the CO´s cost allocations to the Volksbanks, also income generated by early redemptions of issues in the amount of euro 7 million (1-6/2016: euro 0 million). Furthermore, allocations for services provided by VB Services amounting to euro 12 million (1-6/2016: euro 13 million) are included.

For the allocation to interest claims for 2015 and 2016 from the charging of negative interest rates, euro -2 million were reported in this position.

Other taxes mainly comprise the banking levy amounting to euro -1 million (1-6/2016: euro -5 million).

Income from financial investments

Euro thousand	1-6/2017	1-6/2016
Result from fair value hedges	**-290**	**-2,650**
Result from revaluation of underlying instruments	-33,123	59,098
Loans and advances to credit intitutions and customers	-649	-887
Debt securities	-42,966	77,497
Amounts owed to credit institutions and customers	87	-50
Debts evidenced by certificates	10,406	-17,463
Result from revaluation of derivatives	32,832	-61,749
Result from valuation of other derivatives in the investment book	**-5,141**	**10,644**
Exchange rate related transactions	-2,983	1,723
Interest rate related transactions	-1,061	8,995
Credit related transactions	0	-34
Other transactions	-1,097	-40
Result from available for sale financial investments (including participations)	**406**	**-320**
Realised gains / losses	412	-322
Income from revaluation	2	2
Impairments	-9	0
Result from assets for operating lease and investment property assets as well as other financial investments	**8**	**53**
Realised gains / losses	58	0
Change in value investment property	-50	53
Income from financial investments	**-5,018**	**7,727**

In the first half of 2017, an amount of euro 428 thousand (1-6/2016: euro -322 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

Euro thousand	1-6/2017	1-6/2016
Result from financial investments, which are measured at fair value through profit or loss	**-5,481**	**8,047**
Fair value hedges	-290	-2,650
Other derivatives in the investment book	-5,141	10,644
Investment property assets	-50	53
Result from financial investments, which are not measured at fair value and result from financial investments, which are not measured at fair value through profit or loss	**463**	**-320**
Realised gains / losses	470	-322
Available for sale financial investments	412	-322
Operating lease assets and other financial investments	58	0
Income from revaluation	2	2
Available for sale financial investments	2	2
Impairments	-9	0
Available for sale financial investments	-9	0
Income from financial investments	**-5,018**	**7,727**

Income taxes

Due to the tax planning of the next four years, deferred tax assets were recognised in respect of some tax losses carried forward in the period under review. For tax losses carried forward in the amount of euro 286 million (30 Jun 2016: euro 360 million), no deferred tax assets were recognised. Deferred taxes were recognised for the remaining measurement differences, especially relating to the valuation of derivatives and securities.

5) Notes to the consolidated statement of financial positions

Liquid funds

Euro thousand	30 Jun 2017	31 Dec 2016
Cash in hand	41,704	216,989
Balances with central banks	1,889,345	902,264
Liquid funds	**1,931,049**	**1,119,252**

Transition from liquid funds to cash and cash equivalents

Euro thousand	30 Jun 2017	31 Dec 2016
Liquid funds	1,931,049	1,119,252
Restricted cash and cash equivalents	-10,270	-5,666
Cash and cash equivalents	**1,920,779**	**1,113,587**

Due to contractual obligations within the Association of Volksbanks, cash and cash equivalents are subject to restrictions. Mentioned cash and cash equivalents are allocated to a trust fund (Leistungsfonds) which serves the purpose of performing the services within the scope of joint liability scheme under the association agreement. This trust fund was set up in the second half of 2016.

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2017	31 Dec 2016
Loans and advances to credit institutions	1,763,418	2,196,042
Loans and advances to customers	4,285,495	4,351,134
Loans and advances to credit institutions and customers	**6,048,913**	**6,547,176**

Loans and advances to credit institutions and customers are measured at amortised cost.

Risk provisions

Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio based allowance	Total
As at 01 Jan 2016	0	61,954	6,828	68,782
Currency translation	0	-44	-10	-54
Unwinding	0	-628	0	-628
Utilisation	0	-7,992	0	-7,992
Release	0	-10,332	0	-10,332
Addition	0	8,101	40	8,142
As at 30 Jun 2016	0	51,059	6,858	57,917
As at 1 Jan 2017	0	55,156	13,943	69,099
Currency translation	0	-51	-3	-53
Unwinding	0	-610	0	-610
Utilisation	0	-4,596	0	-4,596
Release	0	-11,691	-4,197	-15,888
Addition	0	7,216	0	7,216
As at 30 Jun 2017	**0**	**45,424**	**9,743**	**55,167**

Loans and advances to customers include non-interest-bearing receivables amounting to euro 74,375 thousand (30 Jun 2016: euro 81,782 thousand). Portfolio based allowances are related to loans and advances to customers.

Trading assets

Euro thousand	30 Jun 2017	31 Dec 2016
Debt securities	8,169	24,162
Positive fair value from derivatives	82,959	113,389
exchange rate related transactions	50	0
interest rate related transactions	82,908	113,389
Trading assets	**91,128**	**137,550**

Since the acquisition of CO functions the company maintains a trading book. The volume of the trading book as at 30 June 2017 amounts to euro 4,206,942 thousand (31 Dec 2016: euro 4,511,332 thousand).

Financial investments

Euro thousand	30 Jun 2017	31 Dec 2016
Financial investments available for sale	1,512,986	1,594,123
Debt securities	1,473,124	1,529,702
Equity and other variable-yield securities	39,862	64,421
Financial investments held to maturity	300,103	261,339
Financial investments	**1,813,089**	**1,855,462**

Financial investments held to maturity also include deferred interest of euro 2,005 thousand (31 Dec 2016: euro 2,169 thousand).

Investment property

Euro thousand	30 Jun 2017	31 Dec 2016
Investment property	31,036	32,949

Participations

Euro thousand	30 Jun 2017	31 Dec 2016
Investments in unconsolidated affiliates	842	842
Participating interests	2,292	2,570
Investments in other companies	12,366	12,369
Participations	**15,500**	**15,781**

Participations in companies whose fair value cannot be reliably determined are carried at cost net of any impairment. Participations with a carrying amount of euro 8,271 thousand (31 Dec 2016: euro 8,552 thousand) were measured at market value.

Other assets

Euro thousand	30 Jun 2017	31 Dec 2016
Deferred items	547	1,152
Other receivables and assets	16,612	33,030
Positive fair value from derivatives in the investment book	88,387	103,352
Other assets	**105,545**	**137,534**

Assets held for sale

This item summarises assets that are intended for sale in accordance with IFRS 5. The displayed amount is composed as follows.

Euro thousand	30 Jun 2017	31 Dec 2016
Investment property	120	0
Tangible fixed assets	309	0
Assets held for sale	**429**	**0**

Amounts owed to credit institutions

Euro thousand	30 Jun 2017	31 Dec 2016
Central banks	147,190	139,855
Other credit institutions	3,486,289	3,198,193
Amounts owed to credit institutions	**3,633,478**	**3,338,048**

Amounts owed to credit institutions are measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Jun 2017	31 Dec 2016
Measured at amortised cost	4,907,833	4,691,373
Saving deposits	1,929,396	2,019,400
Other deposits	2,978,437	2,671,974
Amounts owed to customers	**4,907,833**	**4,691,373**

Amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2017	31 Dec 2016
Bonds	484,156	725,217
Debts evidenced by certificates	**484,156**	**725,217**

Debts evidenced by certificates are measured at amortised cost. The decrease of euro 241,061 thousand compared to the end of 2016 is essentially attributable to repayments.

Trading liabilities

Euro thousand	30 Jun 2017	31 Dec 2016
Negative fair values from derivatives		
Exchange rate related transactions	13,852	15,022
Interest rate related transactions	343,310	398,521
Trading liabilities	**357,162**	**413,543**

Other liabilities

Euro thousand	30 Jun 2017	31 Dec 2016
Deferred items	76	276
Other liabilities	77,545	83,030
Negative fair values from derivatives in the investment book	139,498	167,949
Other liabilities	**217,119**	**251,255**

Subordinated liabilities

Euro thousand	30 Jun 2017	31 Dec 2016
Subordinated liabilities	5,600	10,503
Supplementary capital	18,569	18,378
Subordinated liabilities	**24,169**	**28,881**

6) Own funds

The own funds of the VBW credit institution group which were calculated pursuant to the Capital Requirement Regulations (CRR) can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2016
Common tier 1 capital: Instruments and reserves		
Capital instruments including share premium accounts	304,890	304,890
Retained earnings	90,069	103,223
Accumulated other comprehensive income (and other reserves)	66,547	70,571
Amount of capital instruments subject to phase out from CET1	9,907	9,907
Non-controlling interest	789	1,584
Common tier 1 capital before regulatory adjustments	472,201	490,175
Common tier 1 capital: regulatory adjustments		
Goodwill (net of related tax liability)	-8,262	-8,262
Intangible assets (net of related tax liability)	-22,705	-23,390
Value adjustments due to the requirement for prudent valuation	-2,235	-2,465
Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability)	-2,097	-747
Regulatory adjustments - transitional provisions	1,670	5,975
Unrealised gains (20 %; 2016: 40 %)	-4,523	-6,810
Loss of the current financial year (20 %; 2016: 40 %)	0	0
Intangible assets (20 %; 2016: 40 %)	6,193	12,661
CET1 instruments of financial sector entities	0	124
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	-6,194	-12,723
Total regulatory adjustments	-39,823	-41,613
Common equity tier 1 capital – CET1	**432,378**	**448,562**
Additional tier 1 capital: instruments		
Capital instruments including share premium accounts, allowable as additional tier 1 capital	0	0
Additional tier 1 capital before regulatory adjustments	0	0
Additional tier 1 capital: regulatory adjustments		
Regulatory adjustments - transitional provisions	-6,194	-12,723
Loss of the current financial year (20 %; 2016: 40 %)	0	0
Intangible assets (20 %; 2016: 40 %)	-6,193	-12,661
CET1 instruments of financial sector entities	0	-62
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	6,194	12,723
Total regulatory adjustments	0	0
Additional tier 1 capital – AT1	**0**	**0**
Tier 1 capital – T1 (CET1 + AT1)	**432,378**	**448,562**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts, allowable as additional tier 2 capital	5,427	5,734
Capital instruments subject to phase out from tier 2	1,153	1,620
Tier 2 capital before regulatory adjustments	6,580	7,354
Tier 2 capital: regulatory adjustments		
T2 instruments of financial sector entities where the institution has a significant investment	-200	-200
Regulatory adjustments - transitional provisions	0	-62
CET1 instruments of financial sector entities	0	-62
Total regulatory adjustments	-200	-262
Tier 2 capital – T2	**6,380**	**7,092**
Own funds	**438,758**	**455,654**

Common equity tier 1 capital ratio (tier 1)	13.37 %	13.88 %
Tier 1 capital ratio	13.37 %	13.88 %
Equity ratio	13.57 %	14.10 %
Each in relation to total risk exposure amount		

The risk-weighted assessment amounts as defined in CRR can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2016
Risk weighted exposure amount - credit risk	2,458,176	2,432,708
Total risk exposure amount for position, foreign exchange and commodities risks	128,457	153,424
Total risk exposure amount for operational risk	586,132	586,132
Total risk exposure amount for credit valuation adjustment (cva)	60,850	60,451
Total risk exposure amount	**3,233,615**	**3,232,716**

The following table shows the own funds of the VBW credit institution group pursuant to CRR - fully loaded:

Euro thousand	30 Jun 2017	31 Dec 2016
Common tier 1 capital: Instruments and reserves		
Capital instruments including share premium accounts	304,890	304,890
Retained earnings	90,069	103,223
Accumulated other comprehensive income (and other reserves)	66,547	70,571
Common tier 1 capital before regulatory adjustments	461,505	478,684
Common tier 1 capital: regulatory adjustments		
Goodwill (net of related tax liability)	-8,262	-8,262
Intangible assets (net of related tax liability)	-22,705	-23,390
Value adjustments due to the requirement for prudent valuation	-2,235	-2,465
Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability)	-3,167	-1,896
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Total regulatory adjustments	-36,369	-36,014
Common equity tier 1 capital – CET1	**425,136**	**442,670**
Additional tier 1 capital: instruments		
Capital instruments including share premium accounts, allowable as additional tier 1 capital	0	0
Additional tier 1 capital before regulatory adjustments	0	0
Additional tier 1 capital: regulatory adjustments		
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	0	0
Total regulatory adjustments	0	0
Additional tier 1 capital – AT1	**0**	**0**
Tier 1 capital – T1 (CET1 + AT1)	**425,136**	**442,670**
Tier 2 capital - instruments and provisions		
Capital instruments including share premium accounts, , allowable as additional tier 2 capital	15,334	15,641
Tier 2 capital before regulatory adjustments	15,334	15,641
Tier 2 capital: regulatory adjustments		
T2 instruments of financial sector entities where the institution has a significant investment	-200	-200
Total regulatory adjustments	-200	-200
Tier 2 capital – T2	**15,134**	**15,441**
Own funds	**440,270**	**458,111**

Common equity tier 1 capital ratio (tier 1)	13.16 %	13.71 %
Tier 1 capital ratio	13.16 %	13.71 %
Equity ratio	13.63 %	14.18 %
each in relation to total risk exposure amount		

The risk-weighted assessment amounts as defined in CRR can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2016
Risk weighted exposure amount - credit risk	2,455,502	2,429,836
Total risk exposure amount for position, foreign exchange and commodities risks	128,457	153,424
Total risk exposure amount for operational risk	586,132	586,132
Total risk exposure amount for credit valuation adjustment (cva)	60,850	60,451
Total risk exposure amount	**3,230,941**	**3,229,843**

In accordance with IFRS reporting, the scope of consolidation differs from the scope of consolidation under CRR as the IFRS provides for the inclusion of other entities not belonging to the financial sector. According to CRR, companies in the financial sector that are under the control of the parent or where the Group helds a majority of shares either direct or indirect, are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing banking related auxiliary services that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to section 19 (1) of CRR is deducted from own funds. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in companies in the financial sector with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in companies in the financial sector of less than 10 % are deducted from own funds considering the eligibility according to section 46 CRR. All other participating interests are included in the assessment base at their carrying amounts.

All credit institutions under control or where the Group holds a majority of shares either direct or indirect are considered in the scope of consolidation according to CRR.

In the first half of 2017, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

7) Financial assets and liabilities

The table below shows financial assets and liabilities in accordance with their individual categories and their fair values.

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
30 Jun 2017							
Liquid funds	0	0	0	0	1,931,049	1,931,049	1,931,049
Loans and advances to credit institutions	0	0	0	0	1,763,418	1,763,418	
Loans to credit institutions less individual impairments	0	0	0	0	1,763,418	1,763,418	1,766,544
Loans and advances to customers	0	0	0	0	4,285,495	4,285,495	
Individual impairments to customers	0	0	0	0	-45,424	-45,424	
Loans to customers less individual impairments	0	0	0	0	4,240,071	4,240,071	4,735,519
Trading assets	91,128	0	0	0	0	91,128	91,128
Financial investments	0	0	300,103	1,512,986	0	1,813,089	1,809,063
Participations	0	0	0	15,500	0	15,500	15,500
Derivatives - investment book	88,387	0	0	0	0	88,387	88,387
Financial assets total	**179,514**	**0**	**300,103**	**1,528,486**	**7,934,539**	**9,942,642**	**10,437,190**
Amounts owed to credit institutions	0	0	0	0	3,633,478	3,633,478	3,635,614
Amounts owed to customers	0	0	0	0	4,907,833	4,907,833	4,911,470
Debts evidenced by certificates	0	0	0	0	484,156	484,156	509,942
Trading liabilities	357,162	0	0	0	0	357,162	357,162
Derivatives - investment book	139,498	0	0	0	0	139,498	139,498
Subordinated liabilities	0	0	0	0	24,169	24,169	22,755
Financial liabilities total	**496,661**	**0**	**0**	**0**	**9,049,636**	**9,546,297**	**9,576,442**

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
31 Dec 2016							
Liquid funds	0	0	0	0	1,119,252	1,119,252	1,119,252
Loans and advances to credit institutions	0	0	0	0	2,196,042	2,196,042	
Loans to credit institutions less individual impairments	0	0	0	0	2,196,042	2,196,042	2,197,326
Loans and advances to customers	0	0	0	0	4,351,134	4,351,134	
Individual impairments to customers	0	0	0	0	-55,156	-55,156	
Loans to customers less individual impairments	0	0	0	0	4,295,978	4,295,978	4,208,101
Trading assets	137,550	0	0	0	0	137,550	137,550
Financial investments	0	0	261,339	1,594,123	0	1,855,462	1,854,283
Participations	0	0	0	15,781	0	15,781	15,781
Derivatives - investment book	103,352	0	0	0	0	103,352	103,352
Financial assets total	**240,903**	**0**	**261,339**	**1,609,904**	**7,611,272**	**9,723,418**	**9,635,646**
Amounts owed to credit institutions	0	0	0	0	3,338,048	3,338,048	3,332,836
Amounts owed to customers	0	0	0	0	4,691,373	4,691,373	4,684,806
Debts evidenced by certificates	0	0	0	0	725,217	725,217	733,260
Trading liabilities	413,543	0	0	0	0	413,543	413,543
Derivatives - investment book	167,949	0	0	0	0	167,949	167,949
Subordinated liabilities	0	0	0	0	28,881	28,881	26,727
Financial liabilities total	**581,491**	**0**	**0**	**0**	**8,783,520**	**9,365,011**	**9,359,121**

The positive change in fair value of loans to customers is primarily caused by changes in the market parameters, especially lower credit spreads, which influence the valuation. Furthermore, the valuation models were adapted. On the one hand the net present value calculation was extended to a multicurve-model; on the other hand the model was adapted to consider the existing interest rates due to negative interest rates in the valuation.

The table below shows all assets and liabilities which are measured at fair value according to their fair value hierarchy.

Euro thousand	Level 1	Level 2	Level 3	Total
30 Jun 2017				
Trading assets	8,169	82,959	0	91,128
Financial investments	1,449,856	29,377	30,578	1,509,812
available for sale	1,449,856	29,377	30,578	1,509,812
Participations	0	0	8,271	8,271
Derivatives - investment book	0	88,387	0	88,387
Total	**1,458,026**	**200,722**	**38,849**	**1,697,597**
Trading liabilities	0	357,162	0	357,162
Derivatives - investment book	0	139,498	0	139,498
Total	**0**	**496,661**	**0**	**496,661**
31 Dec 2016				
Trading assets	11,766	125,784	0	137,550
Financial investments	1,498,969	61,096	29,384	1,589,449
available for sale	1,498,969	61,096	29,384	1,589,449
Participations	0	0	8,552	8,552
Derivatives - investment book	0	103,352	0	103,352
Total	**1,510,735**	**290,233**	**33,898**	**1,834,866**
Trading liabilities	0	413,543	0	413,543
Derivatives - investment book	0	167,949	0	167,949
Total	**0**	**581,491**	**0**	**581,491**

Available for sale financial investments totalling euro 3,174 thousand (31 Dec 2016: euro 4,674 thousand) and participations totalling euro 7,229 thousand (31 Dec 2016: euro 7,229 thousand) are measured at amortised cost because their fair value cannot be reliably determined. Instruments measured at cost with a carrying amount of euro 74 thousand (31 Dec 2016: euro 153 thousand) were sold in the first half of 2017. No result was realised from this (31 Dec 2016: euro 410 thousand). The fair value cannot reliably be determined as there is no active market for these securities and it is not possible to make a reasonable assessment of the probabilities of different fair value estimates. This mainly involves assets that were issued in the sector.

In the first half of 2017, financial instruments with a carrying amount of euro 14,026 thousand (31 Dec 2016: euro 2,278 thousand), were reclassified as Level 1 financial instruments due to a change in level classifications. In 2017 as well as 2016 there were no reclassifications from Level 1 to Level 2.

Fair value hierarchy

Financial instruments recognised at fair value are assigned to the three IFRS fair value hierarchy categories.

Level 1 – Financial instruments measured at quoted prices in active markets, whose fair value can be derived directly from prices on active, liquid markets and where the financial instrument observed on the market is representative of the financial instrument owned by the Group that requires measurement.

Level 2 – Financial instruments measured using procedures based on observable market data, whose fair value can be determined using similar financial instruments traded on active markets or using procedures whose inputs are observable.

Level 3 – Financial instruments measured using procedures based on unobservable parameters, whose fair value cannot be determined using data observable on the market. Financial instruments in this category have a value component that is not observable and which has a significant influence on fair value.

Development of Level 3 fair values financial assets

Euro thousand	Participations	Available for sale	Total
As at 1 Jan 2016	5,528	27,101	32,629
Additions	4,038	2,180	6,217
Valuation			
through profit and loss	0	96	96
through other comprehensive income	-1,014	6	-1,008
As at 31 Dec 2016	8,552	29,384	37,935
Additions	0	176	176
Valuation			
through profit and loss	0	-5	-5
through other comprehensive income	-281	1,023	742
As at 30 Jun 2017	**8,271**	**30,578**	**38,849**

The valuations shown in the table above are included in the item income from financial investments (income statement) or available for sale reserve (other comprehensive income). The valuations recorded in the income statement include holdings of financial assets to the amount of euro -5 thousand (2016: euro 96 thousand) at the reporting date.

The portfolio of assets available for sale that are allocated to Level 3 of the fair value hierarchy as at 30 June 2017 comprises participation certificates with a carrying amount of euro 30,578 thousand. They are not traded on any active market and only allow for alternative measurement by means of unobservable input parameters.

Measurement is effected using the Hull-White one factor model within the scope of a Monte Carlo simulation, with the model being calibrated to the current environment of market data (interest rate and volatility) on a daily basis. The interest to be paid on these shares in the future is calculated by means of a variable coupon, consisting of the 3-month EURIBOR as base rate and a markup that constitutes an unobservable input. Other unobservable input factors included in the valuation are the duration and the expected redemption rate of the participation certificates.

September 2018 is assumed as the estimated final maturity, with redemption still being subject to uncertainties and accordingly being considered as unknown input factor. Based on the liquidity base of the issuer, a redemption rate of 100 is assumed. Discounting of cash flows is effected using a 3-month EURIBOR base rate plus markup reflecting the cost of capital.

The valuation of these financial instruments was performed by the treasury function of VBW. Determination of fair value according to the procedure described is effected daily. Within the scope of the sensitivity analysis, the input factors used during evaluation of the participation certificates are adjusted in order to reflect reasonable possible alternatives in the opinion of the management of VBW.

The following table shows the changes of the fair value after adjustment of these input factors:

30 Jun 2017 Euro thousand	Positive change in fair value	Negative change in fair value
Change in maturity + 1 year	0	-1,684
Change in markup +/- 100 bp	338	-335
Change in redemtion value - 5 %	0	-1,509

The uncertainty regarding the time of redemption is calculated with parameter changes of plus one year, resulting in a negative effect of euro 1,684. This adjustment is considered a reasonable possible alternative by the management of VBW, as maturity changes may arise due to the approval process of the collection of securities by the banking supervision authority on the one hand and actual settlement on the other hand. A collection of participation certificates after the end of 2019 is currently not considered to be a realistic scenario by the management of VBW.

A range of +/- 100 BP is considered a reasonable possible alternative to the amount of the markup on the base rate. In case of an increase of the markup, the fair value would reduce by euro 335 thousand, and a reduction of the markup on the base rate would result in an increase of the fair value by euro 338 thousand.

Based on the available corporate planning of the issuer, a redemption value of 100 percent was assumed during measurement of the participation certificates, considering a reasonable possible alternative for the same to deviate by not more than 5 %. In case of a reduction of the redemption amount by 5 %, the fair value would reduce by euro 1,509 thousand. Repayment above the nominal value is not intended, meaning that any excess liquidity of the issuer cannot result in any price increase of the participation certificates.

The underlying measurement procedures for determining the fair value are based on several input factors or parameters that may also show mutual interdependencies between unobservable parameters. Such mutual interdependencies were not taken into account in quantitative terms in the above-mentioned sensitivity analysis. The development of the markup on the risk-free interest rate curve for discounting the cash flows associated with the change of the estimated liquidation of the company constitutes one such essential interdependant relationship.

In terms of sensitivity analyses for level 3 market values under participations, factors that increase or decrease value are determined in alternative valuation scenarios by varying income estimates and income-based parameters within a range to 10 %. In the event of a beneficial movement, market value changes by euro 897 thousand (31 Dec 2016: euro 808 thousand), while a detrimental movement leads to a change of euro -1,256 thousand (31 Dec 2016: euro -808 thousand).

8) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2017	1-6/2016	30 Jun 2017	31 Dec 2016
Domestic	1,238	1,101	1,235	1,242
Total number of staff	**1,238**	**1,101**	**1,235**	**1,242**

9) Branches

	30 Jun 2017	31 Dec 2016
Domestic	65	78
Total number of branches	**65**	**78**

10) Related party disclosures

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Associated companies	Companies which exercise a significant influence on the parent as shareholders
30 Jun 2017				
Loans and advances to credit institutions	0	0	19,292	0
Loans and advances to customers	319	12,867	9,638	0
Risk provisions (-)	0	-37	-50	0
Debt securities	0	0	207	792,924
Amounts owed to credit institutions	0	0	193,333	0
Amounts owed to customers	2,542	29,636	84,872	0
Provisions	0	0	0	0
Transactions	2,605	68,393	486,262	0
31 Dec 2016				
Loans and advances to credit institutions	0	0	72	0
Loans and advances to customers	169	44,001	4,529	0
Risk provisions (-)	0	-75	-24	0
Debt securities	0	0	202	833,288
Amounts owed to credit institutions	0	0	199,971	0
Amounts owed to customers	1,930	4,284	85,448	0
Provisions	0	10	53	0
Transactions	2,636	105,752	627,027	0

Total related party transactions are measured as the average receivables and liabilities from/to credit institutions and customers. The calculation is based on the figures at the quarterly reporting dates, which are summed together irrespective of whether plus or minus figures.

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

The Republic of Austria exercises a significant influence on the VBW Group as a shareholder.

Loans and advances to credit institutions and to customers contain transactions with the Volksbank-Sector amounting to euro 1,220,927 thousand (31 Dec 2016: euro 1,672,169 thousand) and amounts owed to credit institutions and owed to customers include transactions with the Volksbank-Sector amounting to euro 3,075,817 thousand (31 Dec 2016: euro 3,010,615 thousand).

11) Segment reporting by business segments

1-6/2017

Euro thousand	Retail	CO	Consolidation	Total
Net interest income	41,680	24,220	-3,036	62,864
Risk provisions	7,551	2,129	0	9,680
Net fee and comission income	26,482	-1,990	113	24,605
Net trading income	94	4,943	0	5,036
General administrative expenses	-58,504	-66,019	17,756	-106,768
Other operating result	-376	59,214	-16,284	42,555
Income from financial investments	-269	-4,742	-7	-5,018
Income from companies measured at equity	-139	0	0	-139
Annual result before taxes	**16,520**	**17,755**	**-1,458**	**32,817**
Income taxes	-684	667	2	-14
Annual result after taxes	**15,836**	**18,422**	**-1,456**	**32,802**

30 Jun 2017

Total assets	**4,821,478**	**6,290,169**	**-901,238**	**10,210,410**
Loans and advances to customers	3,909,942	431,272	-55,720	4,285,495
Companies measured at equity	8,488	13,397	0	21,885
Amounts owed to customers	4,247,080	718,931	-58,179	4,907,833
Debts evidenced by certificates, including subordinated liabilities	31,692	476,634	0	508,325

1-6/2016

Euro thousand	Retail	CO	Consolidation	Total
Net interest income	32,113	19,779	-1,449	50,444
Risk provisions	-6,561	3,741	0	-2,819
Net fee and comission income	18,689	-1,324	13	17,378
Net trading income	90	-2,648	-137	-2,695
General administrative expenses	-47,304	-61,708	12,260	-96,751
Other operating result	2,017	54,291	-10,688	45,620
Income from financial investments	12	7,716	0	7,727
Income from companies measured at equity	0	1,714	0	1,714
Annual result before taxes	**-944**	**21,562**	**0**	**20,618**
Income taxes	346	-5,332	0	-4,986
Annual result after taxes	**-598**	**16,230**	**0**	**15,632**

31 Dec 2016

Total assets	**4,713,257**	**6,189,832**	**-895,397**	**10,007,692**
Loans and advances to customers	3,872,835	534,538	-56,239	4,351,134
Companies measured at equity	20,720	1,325	0	22,046
Amounts owed to customers	4,044,482	703,969	-57,078	4,691,373
Debts evidenced by certificates, including subordinated liabilities	25,250	728,849	0	754,099

12) Quarterly financial data

Euro thousand	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
Net interest income	29,630	33,233	26,527	22,710	24,368
Risk provisions	5,618	4,062	-15,709	4,883	-222
Net fee and commission income	12,635	11,970	12,866	10,877	9,023
Net trading income	6,996	-1,959	5,540	2,051	187
General administrative expenses	-45,986	-60,782	-32,466	-45,178	-43,929
Restructuring result	0	0	3,060	0	0
Other operating result	18,311	24,244	-27,112	20,489	22,377
Income from financial investments	-5,895	878	-11,312	5,324	5,871
Income from companies measured at equity	-162	23	7,551	987	1,715
Result for the period before taxes	**21,147**	**11,670**	**-31,055**	**22,142**	**19,390**
Income taxes	-2,573	2,559	22,364	-4,058	-4,660
Result for the period after taxes	**18,574**	**14,229**	**-8,692**	**18,084**	**14,730**
Result attributable to shareholders of the parent company (consolidated net result)	**18,571**	**14,224**	**-10,105**	**18,101**	**14,732**
Result attributable to non-controlling interest	3	5	1,414	-17	-2

COMPLIANCE STATEMENT

VOLKSBANK WIEN AG
Statement of all legal representatives

We confirm to the best of our knowledge that the condensed half year financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed half year financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 28 August 2017

Gerald Fleischmann
Chairman of the Managing Board

Corporates, Digitalisation, General Secretariat, Front Office Service Center / Customer Service Center, Organisation & IT, HR Management, PR & Communication, Private Banking / Treasury, Real Estate, Retail, Banking Association Strategy, Sales Management / Marketing

Josef Preissl
Deputy Chairman of the Managing Board

Operation / Wind-down, Property Subsidiaries, Audit, Risk Retail / SME, Risk Management Real Estate and Corporates, Association Risk Management, Reorganisation Management, VB Services for Banks

Rainer Borns
Member of the Managing Board

Control, Finance,
Legal and Compliance, Risk Contro