



WHAT DOES CHANGE MEAN?

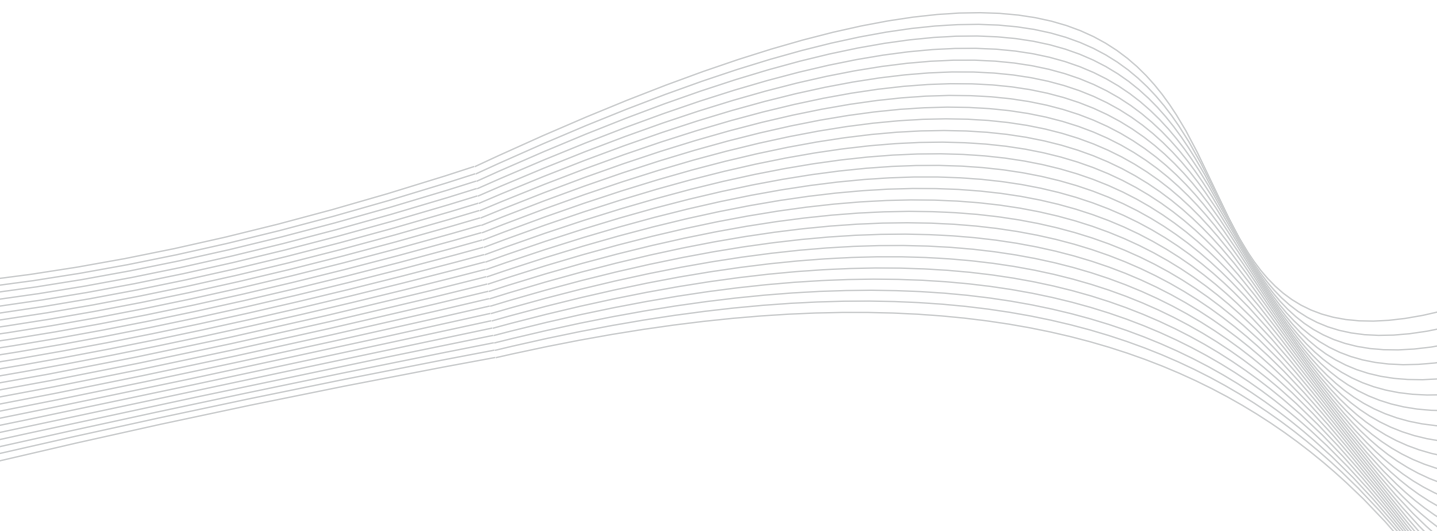
CHANGE



TABLE OF CONTENTS

IMPORTANT FIGURES AT A GLANCE	4
2012 CONSOLIDATED MANAGEMENT REPORT	6
2012 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	27

This report was written in German. The English report is a translation of the German report.
The German version is the only authentic version.



IMPORTANT FIGURES AT A GLANCE

Monetary values in TEUR	2012	2011	Change
Income statement			
Net interest income after impairment charge	48,207	173,283	-72.2 %
Net fee and commission income	34,226	34,321	-0.3 %
Net trading income	28,840	8,738	>100
Profit/loss from financial instruments – designated at fair value through profit or loss	54,146	45,562	18.8 %
Profit/loss from financial assets – available for sale	-48,405	-44,452	8.9 %
General administrative expenses	-163,445	-161,311	1.3 %
Pre-tax profit/loss for the year	14,284	113,936	-87.5 %
Consolidated net profit/loss for the year	743	80,039	-99.1 %
Consolidated comprehensive income	109,903	48,038	>100
Balance sheet			
Loans and receivables at amortised cost after impairment charge	7,866,803	7,755,759	1.4 %
Trading assets	2,097,802	1,728,932	21.3 %
Financial assets – designated at fair value through profit or loss	1,012,055	875,355	15.6 %
Financial assets – available for sale	1,750,381	1,882,219	-7.0 %
Companies accounted for using the equity method	1,290,567	1,233,858	4.6 %
Financial liabilities at amortised cost	6,981,478	6,507,750	7.3 %
Trading liabilities	687,805	920,027	-25.2 %
Financial liabilities – designated at fair value through profit or loss	5,625,838	5,417,622	3.8 %
Equity attributable to non-controlling interests	1,443,735	1,349,228	7.0 %
Balance sheet total	14,996,072	14,431,607	3.9 %
Regulatory information			
Total own funds	1,070,198	1,107,812	-3.4 %
Total own capital funds requirement	686,937	726,892	-5.5 %
Tier 1 ratio (in relation to all risks)	10.73 %	10.48 %	0.25 PP
Eligible Tier 1 capital (core capital)	921,238	952,221	-3.3 %
Own funds ratio (in relation to all risks)	12.46 %	12.19 %	0.27 PP

Monetary values in TEUR	2012	2011	Change
Ratios			
Return on equity	1.02 %	8.58 %	-7.56 PP
Cost/income ratio	54.13 %	53.69 %	0.44 PP
Ratios			
Average number of employees	1,002	987	15
Banking outlets	25	25	0

Rating	Short-term	Long-term	Outlook	Financial strength	Issuer rating	Change / Confirmation
Moody's	A1	P-1	stable	C-	A1	24.1.2013

2012 CONSOLIDATED MANAGEMENT REPORT

These consolidated financial statements have been prepared in accordance with internationally recognised accounting principles and comply with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). The consolidated management report has been prepared in accordance with § 267 UGB.

I. REPORT ON BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

I.1. ECONOMIC ENVIRONMENT AND BUSINESS PERFORMANCE

The weak demand worldwide in 2012, especially in the industrial countries, slowed world trade and production, as expected, and increasingly affected the economy of emerging countries. This downturn and renewed escalation of the sovereign debt crisis in the euro area has had a major impact on international financial markets since spring.

Besides Ireland, Portugal, and Greece, Spain was also promised financial support in the form of a EUR 39.5 billion rescue package to recapitalise its banks. The prospect of an aid program was also held out to Cyprus, whose financial need is estimated to be EUR 17.5 billion. Ireland and Spain are still suffering from the consequences of a burst housing bubble and a resulting banking crisis. In exchange for EUR 85 billion, Ireland agreed to drastic austerity measures, to which it has adhered. Recent developments have shown that the Irish economy is already beginning to grow again and is setting new export records. Ireland has already announced that it will exit the euro rescue package at the end of 2013. Portugal can continue to draw on EUR 78 billion in emergency liquidity assistance until mid-2014. The country is meeting its requirements, making progress on implementing the savings and reform plan, and should be able to reduce its budget deficit to 4.5 per cent of its gross domestic product (GDP) by the end of 2013. In December 2012, Greece was promised additional aid in the amount of approx. EUR 49 billion. In return, the Greek Parliament obtained a clear majority in order to pass a series of laws that are the precondition for additional aid money to the country threatened by default.

After making some gains recently, Europe suffered another set-back. At the end of 2012, the rating agency Moody's lowered the credit rating of the ESM (European Stability Mechanism) and EFSF (European Financial Stability Facility) by one notch to Aa1, while the rating outlook remained negative. Moody's said that the main reason for the lower rating was the poor credit rating of EU heavyweight France, which is the second most important contributor to the EU rescue package after Germany. The ESM is the successor to the temporary rescue mechanism EFSF, and it went into effect in October 2012. The Euro countries have agreed to contribute EUR 700 billion to the bailout fund on the basis of the ESM contribution key. Together with the fiscal pact – which will provide for stricter budgetary control – the ESM should help ensure the financial stability of the euro area.

After the economic slowdown reached the German and Austrian economies in the second half of the year, economies which had been growing up till then, the trend also made itself felt in the GDP figures for the Eastern European countries, for instance, in the model growth countries Poland and Slovakia.

Outside of the euro area, the Baltic countries were the only EU countries with strong growth rates. On account of the Olympic Games, the UK was able to report favourable one-time items in the third quarter of 2012.

The economic recovery has also been sluggish in the USA. In addition to weak international demand, domestic factors have also played a major role. The lengthy process of reducing private household debt and the political discussion over the US budget have contributed to uncertainties concerning future economic, fiscal, and financial policies.

In Japan, exports took a hit owing to diplomatic tensions with China. The effects of the natural disaster in 2011 also continue to be a burden on the economy. China's balance sheet contained some sobering results: for the first time since the outbreak of the financial crisis, foreign investment loans in China fell by around 4 per cent and the number of new foreign-funded enterprises by more than 10 per cent in 2012 compared with 2011. Japan, of all countries, supported China and increased its investments by 16.3 per cent.

The uncertainties on the world financial markets, the tensions in the Middle East, and concerns about an escalation of the situation in Syria, Israel, Iraq, and Iran were reflected in the price of oil. The last few months have been characterised by fluctuating prices. At the end of the year, the price of crude oil was USD 107 per barrel.

But returning to Europe: GDP continued to fall in the euro area in the third quarter of 2012 compared with the previous quarter, although it rose by 0.1 per cent in the EU itself. The unemployment rate remained extraordinarily high at around 12 per cent. The yields on long-term government bonds remained steady at the end of 2012. The euro to dollar exchange rate listed at 1.32 at year's end, the same as at the beginning of the year, after peaking in summer at 1.35. Despite fluctuations of around USD 250, the price of gold per fine ounce levelled off at a good average price and is now steady.

In the middle of 2012, the ECB lowered the main interest rate for the 17 euro countries by 25 basis points to 0.75 per cent, where it remained at this record low until the end of the year. Euro area money market rates experienced even bigger decreases, which were primarily due to the ECB's liquidity assistance to banks.

2012 was a surprisingly good year for the stock exchange when one considers all the emotionally upsetting news people had to deal with in 2012. A recession began in the euro area at the end of 2011, one which continued all through 2012. A sharp increase at the beginning of 2012 – triggered by the sovereign debt crisis – was followed by just as steep a decline in spring. The euro rate began to recover after Mario Draghi, the head of the European Central Bank (ECB), announced that he would defend the euro at any price. There was another set-back in mid-November as a result of uncertainties surrounding the upcoming US presidential campaign and the fiscal cliff issue.

In the last few weeks of the year, the stock exchanges shot up again; this time, European and Japanese stock markets made far greater gains than those in the USA. Accordingly, the ATX finished at 26.94% and the DAX at 29.06%.

In Austria itself, GDP improved slightly contrary to initial predictions. Investments fell and private consumption continued to be weak. The inflation rate jumped to 2.7 per cent in September 2012, and was thus as high again as it was at the beginning of the year, after falling to 2.1 per cent during the course of the year. This resulted in an average inflation rate of 2.4 per cent, which was lower than 2011 (3.3 per cent), but higher than 2010 (1.9 per cent). The main sectors that contributed to higher prices were housing, water, and electricity, followed by foodstuffs, non-alcoholic beverages, and transport. The situation on the Austrian labour market also continued to be strained in 2012 on account of the weak economy. Thus, the unemployment rate for 2012 increased to around 7 per cent according to national standards. According to EU standards, Austria still has the lowest unemployment rate in the EU, followed by Luxembourg and Germany. It should be kept in mind, however, that the number of people in training programs in Austria has continued to increase, too.

The negative effects of the sovereign debt crisis have now made their way to the real economy and the banking industry in general after a period of delay. The intense efforts undertaken by many companies to optimise structures have proven to be all the more important. This includes the Raiffeisen-Landesbank Steiermark AG, which continues to take comprehensive measures to improve efficiency in order to adapt to the changing economic and legal situation. Particularly in the current environment, shrouded in uncertainty, maintaining good customer relationships is gaining in importance. We see it as our mission to actively find out what our customers need and then help them to achieve their individual goals in the best possible way by providing them comprehensive solutions. Our efforts in this area have started to show results: therefore, it comes as no surprise that Raiffeisen was chosen once again as the most reliable bank in Austria on the basis of customer surveys. This is an important foundation that we can build on in the future.

Also, in terms of personnel, a new course has been set with recent changes to the Managing Board of the Raiffeisen-Landesbank Steiermark AG. Continuity and experience are ensured by Markus Mair, who as CEO has already been heading the Managing Board, as well as by long-serving Deputy CEO, Friedrich Lengger, as the Managing Board member responsible for risk. Friedrich Lengger will retire in the middle of 2013. The Supervisory Board has already taken the necessary steps to guarantee a smooth transition by appointing Matthias Heinrich, an ideal successor to Lengger. Rainer Stelzer has taken over responsibility of the Retail Banking and Corporate Customer segments since July 2012. Since October, Martin Schaller has been in charge of the Treasury segment and rounds off the new management team. All of these changes open up new room for innovation and creativity within a tried and tested team. The

contracts of the Managing Board members Johann Jauk (effective 12 May 2012) and Martin Jeindl (effective 31 May 2012) were terminated by mutual agreement. Managing Board member Arndt Hallmann retired from the Managing Board of the bank at the end of his term of office (effective 30 June 2012).

I. 1. NOTES ON THE GROUP'S PROFIT, ASSETS AND LIABILITIES AND FINANCIAL POSITION

At the outset, we would like to refer to the information provided in the notes of the consolidated financial statements and to point out that in the following we will limit ourselves to explaining only the most significant changes in the consolidated financial statements.

In a very difficult economic environment, the RLB Steiermark Group achieved a profit/loss for the year before tax of EUR 14.3 million in 2012 after EUR 113.9 million as of 31.12.2011. Despite steady net interest income and improved profit/loss from financial instruments (net trading income and profit/loss from designated financial instruments), the net income before taxes (NIBT) decreased by EUR 99.7 million. Besides the decline in income from companies valued at equity and income from equity investments, this decrease was primarily due to significant increases in impairment allowances on loans and impairments of investments, which could in no way be compensated for by the operating profit/loss.

INCOME STATEMENT

In 2012, interest and current income rose by EUR 4.3 million to EUR 380.9 million.

While interest income (including income from fixed-income securities) increased by EUR 7.4 million, recurring income from variable-yield securities and investments decreased by EUR 3.1 million. The decrease of income from companies accounted for using the equity method in the amount of EUR 19.0 million is mainly the result of an impairment loss totalling EUR 13.6 million.

The increase in interest income was essentially due to a rise in interest income from derivative financial instruments (non-trading) in the amount of EUR 12.1 million and an improvement in interest income from loans and advances to credit institutions totalling EUR 6.3 million. Interest income from loans and advances to customers developed in the opposite direction with a decline of EUR 13.7 million. This is mainly due to the drop in interest rates and therefore to lower average interest yield for loans and advances to customers.

Interest and similar expenses came to EUR 271.4 million in the year under review compared to EUR 264.7 million in the previous year. This corresponds to a year-on-year increase of EUR 6.7 million or 2.5%. While interest costs for liabilities towards other banks decreased by EUR 4.4 million, interest costs for liabilities evidenced by certificates also shown in this item increased by EUR 10.4 million. Interest costs for liabilities towards customers continued to rise by another EUR 2.1 million.

For 2012, this results in a net interest income of EUR 178.2 million, which is EUR 21.4 million lower than the figure for 2011. Considering interest income and interest expenses as shown in net trading income, the net interest income amounts to EUR 206.9 million (2011: EUR 214.5 million). Not including current income from securities and equity interests as recognised under net interest income and income from companies accounted for using the equity method, the net interest income for 2012 came to EUR 128.5 million, compared with EUR 114.0 million in the previous year.

Net impairment allowances significantly rose by EUR 103.7 million in the 2012 financial year, compared to EUR 130.0 million in 2011. Especially concerning specific impairment allowances, the balance of impairment allowances and impairment reversals plus direct write-offs and recoveries of loans and advances previously written off has increased by EUR 94.8 million compared to 2011. It was in particular the impairment allowances for some larger credit exposures that had a negative impact on the performance. The portfolio-based impairment allowances and other impairment allowances were recognised with a total net amount of EUR 9.5 million.

In the year under review, the net fee and commission income in the amount of EUR 34.2 million remained almost unchanged (2011: EUR 34.3 million).

With the effect from 1.7.2012, the RLB Steiermark Group has applied fair value hedge accounting as defined by IAS 39. By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. The effect of hedge accounting is shown separately in the line item "Profit/loss from hedge accounting" in the income statement and came to TEUR 18 as at 31.12.2012.

With EUR 28.8 million, net trading income is up on the prior-year figure of EUR 8.7 million and was mainly driven by a strong enhancement of the net interest income. On the one hand, net interest income from derivatives plus deposits and loans in the trading portfolio has increased by EUR 13.8 million as compared to the previous year; on the other hand, revaluation gains and losses has improved by EUR 6.3 million.

Profit/loss from financial instruments – designated at fair value through profit or loss in the year under review has primarily increased due to the higher result on the disposal of securities (+ EUR 12.2 million) from EUR 45.6 million to EUR 54.1 million compared to the previous year. The result on the measurement of assets, liabilities and derivatives designated and measured at fair value came to EUR 44.3 million and thus remained almost unchanged compared to the previous year (EUR 44.0 million).

Profit/loss from financial assets – available for sale in the amount of EUR -48.4 million was mainly burdened by negative revaluation gains and losses in equity investment. Need for impairment for securities and equity investments in the amount of EUR 63.9 million in the year under review was significantly higher than in the previous year (EUR 47.3 million). Gains and losses on disposal of securities and equity investments in the available-for-sale deposit developed in the opposite direction and amounted to EUR 14.1 million, which was significantly more than the prior-year figure of EUR 1.5 million.

General administrative expenses increased by EUR 2.1 million or 1.3% to EUR 163.4 million in the year under review. This was mainly due to the increase in personnel expenditures by EUR 2.2 million or 2.6%.

Other operating profit/(loss) increased from EUR 57.8 million to EUR 60.7 million (5.0%) compared to the previous year. This item includes, inter alia, the stability fee (Stabilitätsabgabe) charged in Austria since 2011 in the amount of EUR 9.1 million (2011: EUR 7.3 million). In addition, non-banking income (e.g. reimbursed costs in connection with products and services provided to members of the Verbund) are recognised under other operating profit/loss.

Thus, in the year under review, the RLB Steiermark Group returned an annual surplus before taxes totalling EUR 14.3 million.

The item Income taxes in the amount of EUR -13.5 million primarily concerns deferred tax expenses of EUR 16.9 million. The significantly higher tax expense from deferred taxes as compared to the previous year is mainly due to the depreciation of capitalised tax assets for tax loss carryforwards and impairments to equity investments.

As part of the Group's profit/loss for the year in the amount of EUR 0.7 million, EUR -7.2 million are attributable to the shareholders of RLB Steiermark and EUR 8.0 million to the equity attributable to non-controlling interests. The Group's profit/loss of the previous period totalled EUR 80.0 million.

The Group's comprehensive income comes to EUR 109.9 million (2011: EUR 48.0 million) and in addition to the Group's profit/loss for the year includes changes in the valuation of financial assets available for sale (AFS) including deferred taxes in the amount of EUR 78.3 million (2011: EUR 3.5 million) as well as the Group's interest in the other comprehensive income of companies accounted for using the equity method of EUR 30.9 million (2011: EUR -35.5 million). Thus, the periodic result of EUR 100.0 million is attributed to the shareholders of RLB Steiermark and the amount of EUR 9.9 million to the non-controlling interests.

BALANCE SHEET

The Group's total assets came to EUR 14,996.1 million at 31 December 2012. Compared to the end of 2011 this means an increase of EUR 564.5 million or 3.9%.

Loans and receivables at amortised cost increased by EUR 202.2 million or 2.5% compared with the end of the previous year and are recognised at EUR 8,239.1 million, of which loans and advances to other banks increased by EUR 340.0 million to EUR 2,017.2 million. Loans and advances to customers after impairment charge also shown in this item totalled EUR 228.9 million less than year-end 2011.

For the impairment charge on loans and advances a total of EUR 372.3 million (2011: EUR 281.2 million) were entered in the balance sheet, of which EUR 341.0 million is attributable to specific impairment allowances and EUR 31.3 million to portfolio-based impairment allowances. After deduction of impairment allowances, loans and receivables at amortised cost show a balance sheet value of EUR 7,866.8 million (2011: EUR 7,755.8 million).

On the reporting date, Trading assets come to EUR 2,097.8 million compared to EUR 1,728.9 million as of 31.12.2011. Positive fair values of derivatives (dirty price) under this item showed an increase by EUR 111.5 million and time deposits in the trading portfolio recognised in the line item Trading assets were 17.2% up on the previous year totalling a balance sheet value of EUR 1,749.8 million as of 31.12.2012.

Financial assets – designated at fair value through profit or loss were 15.6% up on year-end 2011 to EUR 1,012.1 million. Bonds and other fixed-income securities experienced the highest rise totalling EUR 120.2 million.

Financial assets - available for sale decreased by EUR 131.8 million or 7.0% compared to the previous year to EUR 1,750.4 million. A decrease of EUR 152.5 million compared to 2011 was mainly due to sales prior to maturity of bonds and other fixed-interest securities shown in this item.

The balance sheet value of companies accounted for using the equity method rose by EUR 56.7 million compared to the previous year and came to EUR 1,290.6 million as at 31.12.2012, most of which is attributable to the investment in RZB. In the 2012 financial year, an impairment of approximately EUR 13.6 million to the lower fair value was undertaken for the investment in Raiffeisenbank Austria d.d., Zagreb. The impairment is shown in the income statement under "Income from companies accounted for using the equity method".

Intangible assets and property and equipment came to a total of EUR 100.4 million as at 31.12.2012 (2011: EUR 81.9 million).

Investment properties were sold in the third quarter of 2012 and were of no value on the reporting date (2011: EUR 11.0 million).

Current and deferred income tax assets were recognised at EUR 14.4 million and significantly decreased compared to the previous year (2011: EUR 29.2 million).

Other assets rose by EUR 114.1 million to EUR 670.2 million in the year under review. This change was mainly the result of the increase in positive fair values of derivatives in the banking book in the amount of EUR 114.7 million while other assets in this item decreased by EUR 0.6 million.

On the liabilities side, liabilities at amortised cost totalled EUR 6,981.5 million on the reporting date after EUR 6,507.8 million in 2011 which corresponds to an increase of 7.3%. The change is essentially due to liabilities to other banks in the amount of EUR 349.4 million.

The development of trading liabilities showed a decrease of EUR 232.2 million, which can be ascribed in particular to the decrease in liabilities to other banks shown in this item of EUR 445.3 million (2011: EUR 721.4 million). The negative fair values of derivative financial instruments developed in the opposite direction and were recognised at EUR 242.6 million (2011: EUR 193.6 million).

Financial liabilities – designated at fair value through profit or loss amounted to EUR 5,625.8 million as of 31.12.2012 (2011: 5,417.6 million). This corresponds to an increase of EUR 208.2 million or 3.8%. What considerably contributed to this development was the increase in liabilities evidenced by certificates (EUR 108.8 million) and in liabilities to customers (EUR 126.1 million). In the year under review, subordinated liabilities reduced by EUR 25.1 million due to redemptions.

Provisions came to a balance sheet value of EUR 77.3 million on the reporting date and thus were up EUR 6.0 million or 8.4% compared to the previous year.

Current income tax liabilities decreased by EUR 1.6 million to EUR 0.4 million compared to the prior year. Deferred income tax liabilities were recognised in the amount of EUR 26.6 million as at 31.12.2012 (2011: EUR 3.4 million).

The decrease in other liabilities by EUR 7.3 million is mainly due to the decrease in negative fair values of derivatives in the banking book in the amount of EUR 4.1 million as well as the reduction of the remaining liabilities by a total of EUR 3.2 million.

In 2012, equity capital rose by EUR 94.5 million to EUR 1,443.7 million, of which EUR 1,351.4 million are attributable to equity holders of the parent and EUR 92.3 million to equity attributable to non-controlling interests. The detailed development can be found in the statement of changes in equity in the consolidated financial statements.

I.2. REPORT ON BRANCHES AND OFFICES

Apart from the company headquarters in Kaiserfeldgasse in Graz, the largest office of the Raiffeisen-Landesbank Steiermark AG is located in Raaba. In 2011, the process of expanding this multifunctional centre began. Besides the top notch and secure computing centre, the Raaba office will also be home to around 800 employees working in a state-of-the-art ecological building. As of 31.12.2012, the Raiffeisen-Landesbank Steiermark AG operates eleven bank branches, ten of which are in Graz and one in Frohnleiten.

The Landes-Hypothekenbank Steiermark AG also has its headquarters in Graz. It operates a total of twelve branches, four in Graz and eight in the largest district seats of Styria.

I.3. FINANCIAL PERFORMANCE INDICATORS

PERFORMANCE

As at 31.12.2012, the cost/income ratio came to 54.13% compared to 53.69% in 2011. The return on equity (ROE), defined as profit for the year before tax in relation to average equity, totalled 1.02% on the reporting date (2011: 8.58%).

REGULATORY OWN FUNDS

Total own capital funds of the RLB Steiermark Group as a group of credit institutions reached a volume of EUR 1,070.2 million as at 31.12.2012. This compared with a regulatory own funds requirement of EUR 686.9 million, resulting in a surplus own funds of EUR 383.3 million on the reporting date. In the reporting period, Tier 1 ratio rose to 10.73% (2011: 10.48%); the own funds ratio came to 12.46% and was also up on the prior-year figure of 12.19%.

I.4. NON-FINANCIAL PERFORMANCE INDICATORS

The RLB Steiermark and the Landes-Hypothekenbank Steiermark operate on the market as separate banks. Both institutions are actively involved in society and their activities cover a wide range of different areas such as social affairs, culture, energy, education, and sport.

As sponsors, it is up to our partners to decide how they want to implement the projects for and with people. The individual projects are intentionally not always communicated to the public and that's a good thing – especially considering that it has been shown that individual support is often the most effective, particularly for the numerous charitable initiatives in this field.

Sponsoring is based on the common purpose of those involved to be more successful together and to promote broad public awareness. The RLB Steiermark and the Landes-Hypothekenbank Steiermark specifically lend their logos to individual persons, associations, and institutions that through their ideas and achievements are trendsetters and driving forces of our province.

In their role as initiators, the RLB Steiermark and the Landes-Hypothekenbank Steiermark take up certain topics themselves, generate lively and substantive discussions, and offer solutions to problems. This means, for instance, that customer events are organised, discussion workshops are held, or interactive methods are used on Facebook for young people.

This wouldn't be possible without the great dedication of our employees – all 1,002 of them in the Group as of 31.12.2012. Education and training play a major role in helping employees continue to develop further within the Group.

I.5. EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE REPORTING DATE

To stabilise the financial situation of HTI AG, the financing partners reached a general agreement with its management. Among other things, that agreement provided for the takeover of mechanical engineering companies and engineering and energy technology segments by Raiffeisen-Landesbank Steiermark or its subsidiaries.

In January 2013, the shares in HTE High Tech Engineering Holding GmbH were taken over. The main holdings of that company consist of interests in Hitzinger GmbH, BBG Baugeräte GmbH and Theysohn Extrusionstechnik GmbH (all three are industrial enterprises). As the antitrust authorities did not prohibit the transaction, it was possible to enter the takeover in the Commercial Register on 1.2.2013.

In March 2013, HTE High Tech Engineering Holding GmbH was renamed DILIGENTA Holding GmbH. The company headquarters were relocated to Graz and most of its shares were disposed of. Consequently, RLB Steiermark now holds a 49% indirect interest in DILIGENTA Holding GmbH.

Beyond this, to the present date, no other business transactions or events took place that would be of particular public interest or would materially affect the 2012 consolidated financial statements.

II. REPORT ON THE FORESEEABLE DEVELOPMENT AND RISKS OF THE COMPANY (OUTLOOK)

II.1. FORESEEABLE DEVELOPMENT OF THE COMPANY

Initial signs indicate that Austria's economy could start to grow again soon. Although it seems that the world economy has hit bottom and finds itself on the road to recovery at the turn of 2012/2013, there are still some uncertainties clouding the outlook. Besides the sovereign debt crisis in the euro area, the future fiscal stance of the USA is a factor. Global production ought to expand at a very moderate rate of 3.4 per cent. Thereafter, stronger growth is expected in 2014.

The crisis in the euro area should also start to ease gradually due to confidence in the effectiveness of the rescue mechanisms installed as well as the implementation of the necessary consolidation and structural reforms in the crisis countries. At the same time, the situation may still worsen if other euro area countries approach bankruptcy. Because of the large austerity programs in the euro area and the continuing difficult economic situation in neighbouring countries, growth will therefore remain moderate in 2013 and 2014.

After Austria's economic output increased by 0.6% in 2012, the expansion should start to pick up speed in 2013. This depends, however, on gradually regaining the trust of investors and consumers, as well as further stabilising the sovereign debt crisis. A slight increase in unemployment is also expected in 2013, although this should be the peak. Inflation should continue to fall in 2013 but still remain around the 2 per cent mark throughout 2014.

In addition to Austria, 10 other EU countries are currently in favour of introducing a financial transaction tax on the level of enhanced cooperation. It is expected to be introduced in 2013. There is also increasing discussion on a common banking authority as well as the Capital Requirements Directives for banks (CRD-4).

The RLB Steiermark Group has prepared itself for future challenges with numerous programmes, structural improvements, and optimisations. And yet, there still remains a considerable degree of uncertainty on the markets, which no industry can avoid. A good example is the Cyprus crisis, which, despite the relatively low economic output of the country, has not been restricted to the region but has damaged customer confidence in banks all across Europe. This makes it all the more important for us to emphasise our broad-based business model, the close relationship we have with our customers, and our commitment to values such as security, community and sustainability. The Group will also be present on the market in 2013 with the two brands, Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekbank Steiermark AG. As a strong Group integrated into the Raiffeisen Banking Group Styria (Raiffeisen Bankengruppe Steiermark), we will remain a reliable partner to customers, equity holders, and the company even in turbulent times.

II.2. RISK REPORT

The information that accords with IFRS 7 regarding the types of risk associated with financial instruments are shown in the "Risk Report" of the consolidated financial statements.

III. REPORT ON RESEARCH AND DEVELOPMENT

The RLB Steiermark Group maintains contacts with renowned subject matter experts in our country. This is reflected in cooperation agreements with universities and universities of applied sciences as well as joint projects with innovation centres like evolaris next level GmbH. Many individual developments can be traced back to presentations by employees in our Group, who share their expertise at public institutions, universities, partner companies, and schools.

Numerous employees take advantage of the strong university system in Styria to gain further qualifications within their field while they work. At the same time, many students are doing an internship with the Group and are working on real projects.

Due to the nature of the industry in which it operates, the bank will not disclose any further information about research and development activities.

IV. KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE FINANCIAL REPORTING PROCESS

1. LEGAL BACKGROUND

Pursuant to § 267 (3b) in conjunction with § 243a (2) Austrian Business Enterprise Code (UGB) as set forth in the Company Law Amendment Act 2008 (URÄG 2008), the key features of the Group's internal control and risk management system with regard to the financial reporting process must be described for financial years beginning after 31 December 2008 in the (Groups) management report of companies whose shares or other securities issued are admitted for trading on a regulated market pursuant to § 1 (2) BörseG (Stock Exchange Act).

2. SUBJECT OF THE REPORT

In accordance with the disclosure requirements for the internal control and risk management system with regard to the financial reporting process as introduced by the Company Law Amendment Act 2008 (URÄG 2008 – BGBl I 2008/70), companies oriented towards the needs of the capital markets must describe the key features of the internal control and risk management system with regard to the (Group) financial reporting process in the (Group) management report. The users of the financial statements should be able to better evaluate the key features of the control and risk management system with regard to the (Group) financial reporting process.

The term "internal control system" (ICS) refers to all processes designed by management and executed within the bank to facilitate

- the monitoring and control of the effectiveness and efficiency of its operating activities (including protecting assets against losses resulting from damages or misconduct),
- the reliability of the financial reports,
- and its compliance with material legal regulations to which it is subject.

The internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. This also includes the internal auditing system insofar as it relates to accounting.

The risk management system covers all processes that serve to identify, analyse and measure risks and that serve to determine and implement appropriate measures that will ensure that RLB Steiermark can still reach its objectives when risks are incurred.

A part of the internal control system, the risk management system with regard to the financial reporting process is related to control and monitoring procedures of accounting just as the latter is, in particular when it comes to items shown on the balance sheet that recognise the bank's risk hedging.

3. KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE (GROUP) FINANCIAL REPORTING PROCESS

The key features of RLB Steiermark Group's internal control and risk management system with regard to the (Group) financial reporting process can be described as follows:

- RLB Steiermark and the RLB Steiermark Group have a clearly defined management and corporate structure.
- The functions of the areas primarily involved in the (Group) accounting process are Finance and Accounting and Controlling, which are clearly separated from market activities. All areas of responsibility are unambiguously assigned.
- As a company oriented towards the needs of the capital markets, RLB Steiermark is required to prepare its Group consolidated financial statements according to International Financial Reporting Standards (IFRS).
- The "Finance Directorate/Bank Accounting" department is responsible for fundamental aspects of preparing IFRS-compliant financial statements and prepares the Group's consolidated financial statements.
- The consolidated financial statements are based on the individual financial statements of the subsidiaries included in the scope of consolidation, which are prepared in compliance with Group-wide standards.
- The systems in use are protected against unauthorised access by corresponding IT measures.
- Standard software is used for these systems as far as possible.
- An adequate guidance system (e.g. acquisition approval, payment order authority, etc.) has been established and is being updated constantly.
- The departments and areas involved in the (Group) accounting process are adequately equipped with regard to both quantity and quality.
- Accounting data received or referred are continuously checked for completeness and accuracy, e.g. through spot checks. The software used also performs programmed plausibility checks.
- The four-eyes principle is consistently applied for all processes of relevance to (the Group) accounting.
- Processes of relevance to (the Group) accounting are regularly checked by the internal audit department, which operates independently of processes.
- The departments involved in the (Group) accounting process prepare regular reports - in particular controlling reports, segment earnings statements etc. - for the Managing Board.

- The Managing Board prepares a quarterly report for the Supervisory Board in accordance with § 81 Austrian Stock Corporation Act (AktG).

4. NOTES ON THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE FINANCIAL REPORTING PROCESS

The internal control and risk management system with regard to the (Group) financial reporting process, whose key features are described in point 3, ensures that matters pertaining to the business are fully and accurately recognised, prepared and evaluated on the balance sheet and are included in the (Group) accounting. Suitable personnel resources, the use of adequate software and clear legal and internal specifications form the basis for a proper, uniform and continuous (Group) accounting process. Clearly defined areas of responsibility as well as various control and review mechanisms as previously described in more detail in point 3 (in particular plausibility checks and the four-eyes principle), ensure that all (Group) accounting processes are executed correctly and with due care and attention. In particular, this framework ensures that business transactions are recorded, processed and correctly and promptly documented in the accounting systems in compliance with legal requirements, the statutes and internal guidelines. At the same time, this guarantees that assets and liabilities are accurately recognised, disclosed and measured in the annual financial statements and consolidated financial statements, and the reliable and relevant information is supplied completely and promptly.

Graz, 8 April 2013

THE MANAGING BOARD:

CEO Markus MAIR, Chairman of the Managing Board,
responsible for the management of the bank and the association and for private banking

Deputy CEO Friedrich LENGGER, Deputy Chairman of the Managing Board,
responsible for risk management

Member of the Managing Board Matthias HEINRICH,
responsible for financing and controlling, non-performing loan management and organisation

Member of the Managing Board Martin SCHALLER,
responsible for capital markets, marketing and sales, insurance and residential building savings schemes

Member of the Managing Board Rainer STELZER,
responsible for commercial customers, retail customers and real estate

2012 CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)

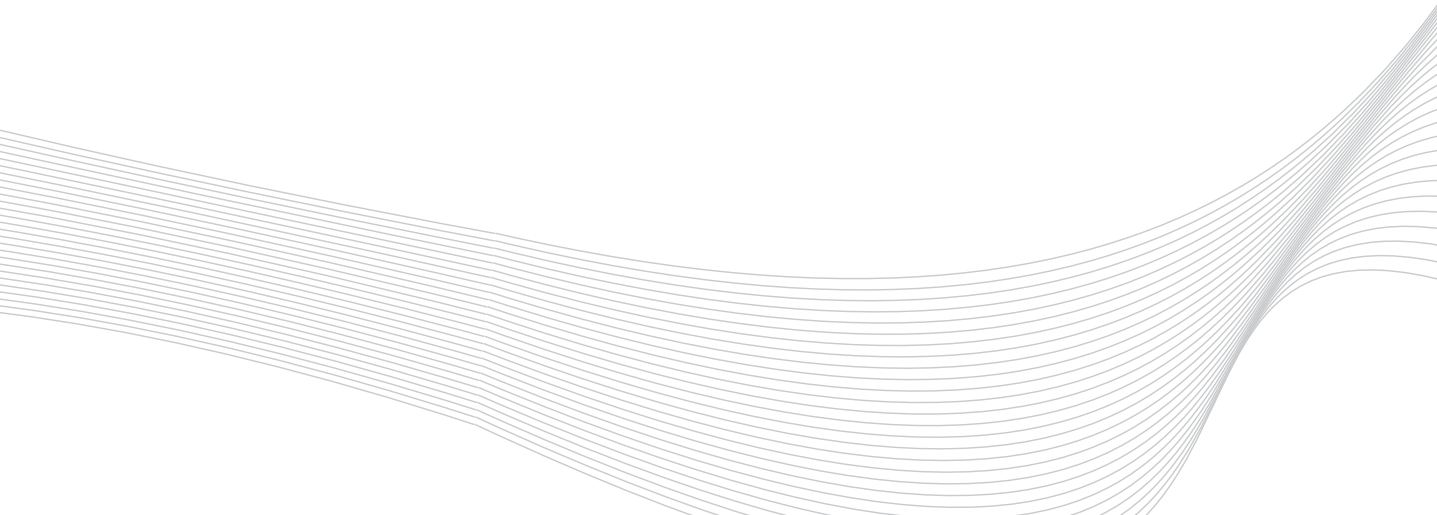




TABLE OF CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	32
STATEMENT OF CHANGES IN THE AVAILABLE-FOR-SALE RESERVE (AFS RESERVE)	34
BALANCE SHEET	35
STATEMENT OF CHANGES IN EQUITY	36
CASH FLOW STATEMENT	38
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	39
FINANCIAL REPORTING PRINCIPLES	39
GENERAL INFORMATION	39
ACCOUNTING POLICIES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS	40
RECOGNITION AND MEASUREMENT POLICIES	43
CONSOLIDATION METHODS	43
SCOPE OF CONSOLIDATION	44
FOREIGN CURRENCY TRANSLATION	46
FINANCIAL INSTRUMENTS	46
INCOME STATEMENT	51
NET INTEREST INCOME	51
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	51
NET FEE AND COMMISSION INCOME	52
NET TRADING INCOME	52
PROFIT/LOSS FROM FINANCIAL ASSETS –	
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	52
PROFIT/LOSS FROM FINANCIAL ASSETS – AVAILABLE FOR SALE	52
GENERAL ADMINISTRATIVE EXPENSES	52
OTHER OPERATING PROFIT/LOSS	52
INCOME TAXES	52
BALANCE SHEET	53
CASH AND BALANCES WITH CENTRAL BANKS	53
LOANS AND RECEIVABLES AT AMORTISED COST	53
IMPAIRMENT ALLOWANCE BALANCE	53
TRADING ASSETS/TRADING LIABILITIES	54
FINANCIAL ASSETS – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	54
FINANCIAL ASSETS – AVAILABLE FOR SALE	55
INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	55
INTANGIBLE ASSETS	55
PROPERTY AND EQUIPMENT	56
REAL ESTATE HELD AS FINANCIAL INVESTMENT	56
OTHER ASSETS	57
FINANCIAL LIABILITIES AT AMORTISED COST	57
FINANCIAL LIABILITIES – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	57
PROVISIONS	58

OTHER LIABILITIES	60
EQUITY	60
TAX ASSETS AND TAX LIABILITIES/INCOME TAXES	61
REPURCHASE TRANSACTIONS	62
SECURITIES LENDING TRANSACTIONS	62
TRUST ACTIVITIES	62
LATITUDE OF JUDGEMENT AND ESTIMATES	63
NOTES TO THE INCOME STATEMENT	64
1 NET INTEREST INCOME	64
2 IMPAIRMENT CHARGE ON LOANS AND ADVANCES	65
3 NET FEE AND COMMISSION INCOME	65
4 PROFIT/LOSS FROM HEDGE ACCOUNTING	66
5 NET TRADING INCOME	66
6 PROFIT/LOSS FROM FINANCIAL INSTRUMENTS – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	66
7 PROFIT/LOSS FROM FINANCIAL ASSETS – AVAILABLE FOR SALE	67
8 GENERAL ADMINISTRATIVE EXPENSES	68
9 OTHER OPERATING PROFIT/LOSS	69
10 INCOME TAXES	69
SEGMENT REPORTING	71
NOTES TO THE BALANCE SHEET	76
11 CASH AND BALANCES WITH CENTRAL BANKS	76
12 LOANS AND RECEIVABLES AT AMORTISED COST	76
13 IMPAIRMENT ALLOWANCES	79
14 TRADING ASSETS	80
15 FINANCIAL ASSETS –DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	81
16 FINANCIAL ASSETS – AVAILABLE FOR SALE	83
17 INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	86
18 INTANGIBLE ASSETS	86
19 PROPERTY AND EQUIPMENT	87
20 REAL ESTATE HELD AS FINANCIAL INVESTMENTS	88
21 OTHER ASSETS	89
22 FINANCIAL LIABILITIES AT AMORTISED COST	90
23 TRADING LIABILITIES	92
24 FINANCIAL LIABILITIES – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	92
25 PROVISIONS	94
26 CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES	99
27 OTHER LIABILITIES	101
28 EQUITY	102
NOTES TO FINANCIAL INSTRUMENTS	103

29	MAXIMUM EXPOSURE TO CREDIT RISK PURSUANT TO IFRS 7.36 A	103
30	BREAKDOWN OF TERMS TO MATURITY	103
31	DERIVATIVE FINANCIAL INSTRUMENTS	106
32	FAIR VALUE OF FINANCIAL INSTRUMENTS	110
33	FAIR VALUE HIERARCHY	112
	RISK REPORT	116
	STRUCTURE OF THE RISK MANAGEMENT SYSTEM	116
	AGGREGATE BANK RISK	119
	CREDIT RISK	120
	INVESTMENT RISK	133
	MARKET PRICE RISK	134
	OPERATIONAL RISKS	135
	OTHER RISKS	137
	OTHER DISCLOSURES	138
34	RELATED PARTY TRANSACTIONS	138
35	FOREIGN CURRENCY VOLUMES	140
36	FOREIGN ASSETS/LIABILITIES	140
37	SUBORDINATED ASSETS	141
38	SUPPLEMENTARY AND SUBORDINATED DEBT CAPITAL	141
39	CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS	141
40	ASSETS PLEDGED AS COLLATERAL	142
41	REPURCHASE TRANSACTIONS	143
42	FINANCIAL INVESTMENTS PURSUANT TO § 64 BWG	144
43	BONDS, OTHER FIXED-INCOME SECURITIES AND BONDS ISSUED BY THE GROUP PURSUANT TO § 64 (1) NO. 7 BWG	145
44	TRADING BOOK VOLUME PURSUANT TO § 22 BWG	145
45	LOANS AND ADVANCES TO MANAGING BOARD AND SUPERVISORY BOARD MEMBERS	145
46	EXPENSES FOR SEVERANCE PAYMENTS AND PENSIONS	145
47	EXPENSES FOR REMUNERATION OF THE AUDITORS	146
48	AVERAGE NUMBER OF EMPLOYEES	146
49	REGULATORY OWN FUNDS PURSUANT TO § 24 BWG	147
50	EVENTS AFTER THE BALANCE SHEET DATE	148
	OVERVIEW OF EQUITY INVESTMENTS	149
	BOARDS AND OFFICERS	152
	CONCLUDING REMARKS BY THE MANAGING BOARD	154
	STATEMENT OF ALL LEGAL REPRESENTATIVES	154
	GLOSSARY	156

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

	Note(s)	2012	2011	Change	
		TEUR	TEUR	TEUR	%
Interest and similar income	1	380,867	376,616	4,251	1.1
Income from companies accounted for using the equity method	1	68,716	87,679	-18,963	-21.6
Interest and similar expenses	1	-271,402	-264,717	-6,685	2.5
Net interest income	1	178,181	199,578	-21,397	-10.7
Impairment charge on loans and advances	2	-129,974	-26,295	-103,679	>100
Net interest income after impairment charge		48,207	173,283	-125,076	-72.2
Net fee and commission income	3	34,226	34,321	-95	-0.3
Profit/loss from hedge accounting	4	18	0	18	100
Net trading income	5	28,840	8,738	20,102	>100
Profit/loss from financial instruments – designated at fair value through profit or loss	6	54,146	45,562	8,584	18.8
Profit/loss from financial assets – available for sale	7	-48,405	-44,452	-3,953	8.9
General administrative expenses	8	-163,445	-161,311	-2,134	1.3
Other operating profit/loss	9	60,697	57,795	2,902	5.0
Pre-tax profit/loss for the year		14,284	113,936	-99,652	-87.5
Income taxes	10	-13,541	-33,897	20,356	-60.1
Consolidated net profit/loss for the year		743	80,039	-79,296	-99.1
Consolidated net profit/loss for the year attributable to the shareholders of RLB Steiermark		-7,232	73,727	-80,959	>100
Consolidated net profit/loss for the year attributable to non-controlling interests		7,975	6,312	1,663	26.3

RECONCILIATION TO CONSOLIDATED COMPREHENSIVE INCOME

	2012	2011	Change	
	TEUR	TEUR	TEUR	%
Consolidated net profit/loss for the year	743	80,039	-79,296	-99.1
Changes in the valuation of financial assets available for sale (AFS) including deferred taxes	78,306	3,450	74,856	>100
Proportionate changes in equity of companies recorded at equity without effect on profit or loss	30,854	-35,451	66,305	>100
Consolidated comprehensive income	109,903	48,038	61,865	>100
Consolidated comprehensive income attributable to the shareholders of RLB Steiermark	99,997	40,689	59,308	>100
Consolidated comprehensive income attributable to non-controlling interests	9,906	7,349	2,557	34.8

STATEMENT OF CHANGES IN THE AVAILABLE- FOR-SALE RESERVE (AFS RESERVE)

Changes in the AFS reserve	2012 (TEUR)			2011 (TEUR)		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Attributable to the shareholders of RLB Steiermark	87,412	-11,037	76,375	2,425	-12	2,413
Attributable to non-controlling interests	2,569	-638	1,931	1,256	-219	1,037
Changes in AFS reserve	89,981	-11,675	78,306	3,681	-231	3,450

BALANCE SHEET

	Note(s)	2012	2011	Change	
		TEUR	TEUR	TEUR	%
Cash and balances with central banks	11	193,546	277,216	-83,670	-30.2
Loans and receivables at amortised cost	12	8,239,129	8,036,968	202,161	2.5
Impairment charge on loans and advances	13	-372,326	-281,209	-91,117	-32.4
Trading assets	14	2,097,802	1,728,932	368,870	21.3
Financial assets –designated at fair value through profit or loss	15	1,012,055	875,355	136,700	15.6
Financial assets – available for sale	16	1,750,381	1,882,219	-131,838	-7.0
Companies accounted for using the equity method	17	1,290,567	1,233,858	56,709	4.6
Intangible assets	18	14,075	15,259	-1,184	-7.8
Property and equipment	19	86,275	66,625	19,650	29.5
Real estate held as financial investment	20	0	11,055	-11,055	-100.0
Current income tax assets	26	12,319	21,731	-9,412	-43.3
Deferred income tax assets	26	2,096	7,513	-5,417	-72.1
Other assets	21	670,153	556,085	114,068	20.5
TOTAL ASSETS		14,996,072	14,431,607	564,465	3.9
Financial liabilities at amortised cost	22	6,981,478	6,507,750	473,728	7.3
Trading liabilities	23	687,805	920,027	-232,222	-25.2
Financial liabilities – designated at fair value through profit or loss	24	5,625,838	5,417,622	208,216	3.8
Provisions	25	77,335	71,343	5,992	8.4
Current income tax liabilities	26	400	2,004	-1,604	-80.0
Deferred income tax liabilities	26	26,554	3,425	23,129	>100
Other liabilities	27	152,927	160,208	-7,281	-4.5
Equity	28	1,443,735	1,349,228	94,507	7.0
Equity attributable to the shareholders of RLB Steiermark	28	1,351,408	1,258,709	92,699	7.4
Equity attributable to non-controlling interests	28	92,327	90,519	1,808	2.0
TOTAL EQUITY AND LIABILITIES		14,996,072	14,431,607	564,465	3.9

STATEMENT OF CHANGES IN EQUITY

TEUR	Subscribed capital	Capital reserves	Retained earnings	AFS reserve	Consolidated net profit/loss for the year	Equity attributable to the shareholders of RLB Steiermark	Equity attributable to non-controlling interests	Aggregate capital
Equity at 1.1.2012	135,297	409,380	623,435	16,870	73,727	1,258,709	90,519	1,349,228
Consolidated comprehensive income			30,854	76,375	-7,232	99,997	9,906	109,903
Net profit transferred to retained earnings			60,218		-60,218			
Profit distribution					-13,509	-13,509		-13,509
Other changes			6,211			6,211	-8,098	-1,887
Equity at 31.12.2012	135,297	409,380	720,718	93,245	-7,232	1,351,408	92,327	1,443,735
Equity at 1.1.2011	135,297	409,380	247,889	14,457	415,089	1,222,112	83,348	1,305,460
Consolidated comprehensive income			-35,451	2,413	73,727	40,689	7,349	48,038
Net profit transferred to retained earnings			403,072		-403,072			
Profit distribution					-12,017	-12,017		-12,017
Other changes			7,925			7,925	-178	7,747
Equity at 31.12.2011	135,297	409,380	623,435	16,870	73,727	1,258,709	90,519	1,349,228

The income and expenses recognised in comprehensive income include remeasurement gains and losses on financial assets available for sale, the deferred taxes apportionable to these assets recognised in other comprehensive income and the proportionate changes in equity recognised directly in equity of the companies accounted for using the equity method. As at the balance sheet date of 31.12.2012, the available-for-sale reserve including the equity attributable to non-controlling interests stood at TEUR 96,956 (2011: TEUR 18,650).

Proportionate changes in equity of companies recorded at equity without effect on profit or loss came to at TEUR - 1,728 (2011: TEUR -32,582).

The dividend distribution in 2012 of TEUR 13,509 (2011: TEUR 12,017) corresponds to a dividend per share of EUR 4.05 (2011: EUR 3.48) plus interest of 19% (2011: 19%) for the subscribers to non-voting, non-ownership capital.

CASH FLOW STATEMENT

TEUR	2012	2011
Profit/loss for the year after taxes	743	80,039
Non-cash items contained in the consolidated profit/loss for the year		
Depreciation, amortisation, impairment of financial assets	42,595	66,948
Net creation of provisions and impairment allowances	97,109	4,120
Profit/loss from the sale of assets	-28,969	-1,722
Other adjustments	-102,908	-200,433
Change in assets and liabilities arising from operating activities after corrections for non-cash items		
Loans and receivables at amortised cost	-199,316	-341,552
Trading assets	-362,636	-222,221
Financial assets –designated at fair value through profit or loss	-85,736	65,568
Financial assets – available for sale	173,449	91,820
Other assets from operating activities	-113,914	-153,818
Financial liabilities at amortised cost	469,776	110,804
Trading liabilities	-232,222	-245,201
Financial liabilities –designated at fair value through profit or loss	205,194	846,458
Other liabilities from operating activities	-16,334	26,833
Taxes on income paid	10,644	-9,890
Interest received	361,159	385,655
Dividends received	6,635	6,769
Interest paid	-250,108	-319,840
Cash flow from operating activities	-24,839	190,337
Cash proceeds from the sale of:		
Property and equipment and intangible assets	17,475	1,439
Equity investments (non-consolidated)	7,044	108
Cash paid for the acquisition of:		
Financial assets – associates	-9,297	-22,139
Property and equipment and intangible assets	-38,836	-14,249
Equity investments (non-consolidated)	-21,708	-2,400
Cash flow from investing activities	-45,322	-37,241
Dividends	-13,509	-12,017
Cash flow from financing activities	-13,509	-12,017
Cash and cash equivalents at end of previous period	277,216	136,137
Cash flow from operating activities	-24,839	190,337
Cash flow from investing activities	-45,322	-37,241
Cash flow from financing activities	-13,509	-12,017
Cash and cash equivalents at end of period	193,546	277,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL REPORTING PRINCIPLES

GENERAL INFORMATION

Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) is the regional central institution of the Raiffeisen Banking Group in Styria (Raiffeisen Bankenkgruppe Steiermark) and is registered in the Commercial Register at the Graz Regional Civil Court under Commercial Register Number 264700s. The corporate address of RLB Steiermark is Kaiserfeldgasse 5, 8010 Graz (Austria). RLB Steiermark is a universal bank which is predominantly active in the south of Austria.

RLB-Stmk Holding eGen (RLB-Stmk Holding) holds 100% of the shares in RLB Steiermark and is thus its sole shareholder. RLB-Stmk Verbund eGen (RLB-Stmk Verbund) own 95.13% (2011: 95.13%) of RLB-Stmk Holding. The remaining shares are held by other cooperative members. RLB-Stmk Verbund is the Group's ultimate parent company.

As the superordinate financial holding company, RLB-Stmk Verbund is 100% owned by the Raiffeisen banks in Styria. As a result of this holding structure, the Raiffeisen banks in Styria enjoy an indirect majority ownership position – including in terms of voting rights –relative to RLB Steiermark.

In accordance with Austrian disclosure regulations, the consolidated financial statements of RLB-Stmk Verbund are lodged with the Commercial Register and published in the official gazette (Amtsblatt der Wiener Zeitung).

Unless specifically stated otherwise, the figures in these consolidated financial statements are rounded to the nearest thousand euros (TEUR). As a result, rounding differences may appear in the tables that follow.

Disclosure in accordance with § 26a of the Austrian Banking Act (BWG) is based on the consolidated financial position of RLB-Stmk Verbund in its function as an EEA parent financial holding company. This disclosure may be viewed on the website of RLB Steiermark.

ACCOUNTING POLICIES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the 2012 financial year, together with the prior-year figures for 2011, have been prepared in accordance with EU Directive (EC) 1606/2002 in conjunction with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). All of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and all of the interpretations issued by the IFRS Interpretations Committee (IFRIC) whose application in connection with the consolidated financial statements was mandatory were taken account of as adopted by the EU. The consolidated financial statements comply with the provisions of § 245a UGB and § 59a BWG governing the exemption from filing consolidated financial statements in accordance with internationally recognised accounting principles.

New and amended standards and interpretations, the application of which is mandatory from the year under review:

	Effective for annual periods beginning on or after	Adopted by the EU
Standards		
Amendments to IFRS 7 – Financial instruments: disclosures in the event of full derecognition and continuing involvement	1.7.2011	Yes

Standards and interpretations which have been published but are not yet mandatory:

Standard/ interpretation	Description	Effective for annual periods beginning on or after	Adopted by the EU
IFRS 1	Amendments to IFRS 1 – First-time adoption of International Financial Reporting Standards” – exemption in the event of severe hyperinflation and removal of fixed dates of application	1.7.2011	Yes *
IAS 12	Amendment to IAS 12 – Deferred taxes: recovery of underlying assets	1.1.2012	Yes *
IAS 1	Amendment to IAS 1 – Presentation of individual items of other comprehensive income	1.7.2012	Yes
IAS 19	Amendment to IAS 19 – Employee benefits	1.1.2013	Yes
IFRIC 20	Stripping costs in the production phase of a surface mine	1.1.2013	Yes
IFRS 10	Consolidated financial statements	1.1.2013	Yes **
IFRS 11	Joint arrangements	1.1.2013	Yes **
IFRS 12	Disclosure of interests in other entities	1.1.2013	Yes **
IFRS 13	Fair value measurement	1.1.2013	Yes
IAS 27	Revised version of IAS 27 – Separate financial statements	1.1.2013	Yes
IAS 28	Revised version of IAS 28 – Investments in associates and joint ventures	1.1.2013	Yes
IFRS 7	Amendment to IFRS 7 – Offsetting financial assets and financial liabilities	1.1.2013	Yes
IFRS 1	Amendment to IFRS 1 – First-time adoption of International Reporting Standards – government loans	1.1.2013	Yes
IAS 32	Amendment to IAS 32 – Offsetting financial assets and financial liabilities	1.1.2014	Yes
IFRS 9	Financial instruments and amendments to IFRS 9	1.1.2015	No
IFRS 7	Amendment in respect of disclosures on first-time adoption of IFRS 9	1.1.2015	No

* Throughout the EU; effective 1.1.2013.

** Throughout the EU; effective 1.1.2014.

A determination was made to refrain from the early adoption of standards and interpretations which, although they have been approved and adopted by the EU, are not yet mandatory.

In the current assessment, IFRS 9 – Financial instruments – will have a substantial impact that cannot be gauged reliably from today's perspective. Due to the changes to IAS 19 (removal of the corridor method), all future actuarial gains and losses from provisions for termination and post-employment benefits will be recognised in other comprehensive income.

RECOGNITION AND MEASUREMENT POLICIES

UNIFORM ACCOUNTING PRINCIPLES THROUGHOUT THE GROUP

The basis for the consolidated financial statements was provided by the separate financial statements of all the consolidated companies, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRS. The effect of the unconsolidated subsidiaries, individually and collectively, on the Group's net assets, financial position and earnings situation for the purposes of IAS/IFRS framework F 29 et seq. was immaterial.

With the exception of one subsidiary which was included in the consolidated financial statements as at 30 September for accounting reasons, and the DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund) in accordance with § 20a of the Austrian Investment Fund Act (InvFG), which was included in the consolidated financial statements as at 31 October, the fully consolidated companies and the companies accounted for using the equity method prepared their annual financial statements as of 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between a subsidiary's reporting date and 31 December.

ACQUISITIONS

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair value on the acquisition date according to the provisions of IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalised as goodwill. The goodwill is tested annually for impairment. If negative goodwill arises within the context of first-time consolidation, this must be recognised immediately in profit or loss once the valuations have been reassessed. Incidental acquisition costs are recognised as expenses. Transactions with non-controlling interests that do not lead to any change in the control relationship are only shown directly in equity.

CONSOLIDATION METHODS

The consolidation measures undertaken in the context of preparing the consolidated financial statements include capital consolidation, debt consolidation, consolidation of income and expenses, and elimination of intragroup profits.

Investments in companies over which RLB Steiermark had a significant influence were accounted for using the equity method and recorded on the balance sheet in the line item "Companies accounted for using the equity method". As a rule, ownership interests of between 20% and 50% confer significant influence. If there are indicators that suggest a possible impairment as defined by IAS 39, equity carrying amounts must undergo an impairment test pursuant to IAS 28 in conjunction with IAS 36. As a rule, impairment testing is carried out using a valuation method based on future

financial surpluses. Charges on the basis of impairments are shown in the income statement under “Profit/loss from companies accounted for using the equity method”.

The proportionate net income attributable to companies accounted for using the equity method is shown in the income statement under net interest income as “Income from companies accounted for using the equity method”.

The same rules were applied to companies accounted for using the equity method (date of first-time consolidation, calculation of goodwill or negative goodwill) as to investments in subsidiaries. The basis for recognition was provided by the respective financial statements as at 31.12.2012 of the companies accounted for using the equity method.

Equity investments in other companies were recognised at fair value, or, if a fair value was not available or could not be determined reliably, at acquisition cost less any impairment. During the elimination of intragroup balances, receivables and payables between companies belonging to the scope of full consolidation were offset.

Intragroup income and expenses were eliminated during the process of consolidating income and expenses.

Intragroup profits were eliminated if their effect on line items in the income statement was material. Banking transactions between the individual companies within the Group were conducted at arm's length.

SCOPE OF CONSOLIDATION

The scope of consolidation included all of the following subsidiaries in which RLB Steiermark held direct or indirect interests of more than 50 per cent or over whose operating and/or financial policies it had a controlling influence. According to SIC 12, special purpose entities must be consolidated if, from an economic perspective, the majority of the opportunities and risks arising from the business activity of the special purpose entity are attributable to the RLB Steiermark Group.

Accordingly, in addition to Raiffeisen-Landesbank Steiermark AG (Group parent company), the following companies were fully consolidated:

- Landes-Hypothekenbank Steiermark Aktiengesellschaft, Graz
- HYPO Steiermark Leasing – Holding GmbH, Graz
- RLB – Beteiligungs- und Treuhandgesellschaft m.b.H., Graz
- NWB Beteiligungs GmbH, Graz

- ZRB Beteiligungs GmbH, Graz
- Raiffeisenbank-Zagreb-Beteiligungsgesellschaft m.b.H., Graz
- Raiffeisen Rechenzentrum Holding GmbH, Graz
- Raiffeisen Informatik Center Steiermark GmbH, Graz
- Raiffeisen Rechenzentrum Süd GmbH, Graz
- HST Beteiligungs GmbH, Graz
- HSE Beteiligungs GmbH, Graz
- Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H., Graz
- Hotel Steirerhof Graz Gesellschaft m.b.H., Graz
- DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund) in accordance with §20a InvFG

The number of fully consolidated companies and companies accounted for using the equity method is as follows:

	Full consolidation		Equity method	
	2012	2011	2012	2011
At 1 January	17	15	2	2
Included for the first time in the reporting year	0	2	0	0
Change due to reorganisation during the reporting year	-2	0	0	0
At 31 December	15	17	2	2

Due to the retroactive merger (on 1.1.2012) of the Group companies "Rana Beteiligungs GmbH" and "Pavo Beteiligungs GmbH" with Raiffeisen-Landesbank Steiermark AG, the two companies were deleted from the Commercial Register on 17.11.2012 and 18.12.2012, respectively.

71 subsidiaries (2011: 69 subsidiaries) were not consolidated because their effect on the Group's net assets, financial position and earnings situation was immaterial. These subsidiaries were valued at acquisition cost less any impairment (if a fair value was not available) and recognised in the line item „Financial assets – available for sale" as investments in subsidiaries.

Investments in companies over which RLB Steiermark had a significant influence were accounted for using the equity method. This was the case (as in 2011) for Raiffeisenbank Austria d.d., Zagreb (HR), and for the investment in Raiffeisen Zentralbank Österreich AG, Vienna (RZB). RLB Steiermark has a permanent seat on the supervisory board of Raiffeisen Bank International AG (RBI) and Raiffeisen Zentralbank Österreich AG, Vienna (RZB).

As a result of the new regulatory environment for Tier 1 capital, Raiffeisen Zentralbank Österreich AG called in, during the first half of 2012, non-voting, non-ownership capital (*Partizipationskapital*) in a total amount of TEUR 841,848. In parallel, RZB Österreich AG resolved to implement a capital increase. Due to this procedure, the consolidated ownership interest of the RLB Steiermark Group (15.66% on 31.12.2011) was reduced to 15.17% on the reporting date.

Investments in 24 associates (2011: 26 associates) were not accounted for using the equity method because their effect on the Group's net assets, financial position and earnings situation was immaterial. With the exception of one listed company, these associates were valued at acquisition cost less any impairment and recognised in the line item „Financial assets – available for sale“.

No financial statements prepared in a foreign currency required inclusion in the scope of consolidation. A list of fully consolidated companies and of investments in companies accounted for using the equity method is provided in the Overview of Equity Investments.

FOREIGN CURRENCY TRANSLATION

Foreign currency translation takes place in accordance with the provisions of IAS 21. Accordingly, non-euro monetary assets and liabilities are translated into euro at the ECB reference rates prevailing at the balance sheet date. Non-monetary assets and liabilities measured on the basis of historical costs are translated at the market exchange rates prevailing at the time of their acquisition. Non-monetary assets measured at fair value are translated at the market exchange rates prevailing at the balance sheet date. Forward currency transactions are measured using the prevailing forward rates for their respective maturities.

Income and expense items are immediately translated into the functional currency at the time they arose applying the market exchange rates prevailing at the date of the transaction.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company. According to IAS 39, all financial assets and liabilities, including derivative financial instruments, must be recognised on the balance sheet. Financial instruments are recorded on the transaction date. Financial instruments must be divided into defined categories. Their subsequent measurement depends on the category to which they were allocated:

FINANCIAL ASSETS OR LIABILITIES – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets or liabilities designated at fair value through profit or loss are financial instruments which are either classified by the company as held for trading or designated as at fair value through profit or loss.

- Held for trading. Financial assets and financial liabilities classified as financial instruments held for trading serve the purpose of generating a profit from short-term fluctuations in market price or dealer's margin. All financial instruments held for trading are measured at fair value, with revaluation gains and losses being recognised in the income statement under the line item "Net trading income".
- Derivatives. Derivatives are carried in the balance sheet at fair value, with revaluation gains and losses being recognised in the income statement.
- Designated at fair value through profit or loss. Essentially, this category includes those financial assets and liabilities that are irrevocably designated as "Financial assets/liabilities at fair value through profit or loss" (the so-called fair value option) at the date of acquisition, irrespective of any intention to trade.

The fair value option for a financial instrument may only be exercised in the following cases:

- elimination or reduction of an accounting mismatch;
- management and performance measurement of a portfolio of financial instruments on a fair value basis in accordance with a documented risk management or investment strategy;
- the (structured) financial instrument includes one or more embedded derivatives that must be separated.

Upon initial recognition, the financial assets and liabilities are measured at the fair value of the consideration given (in the case of acquisition of financial assets) or received (in the case of entering into a financial commitment). Financial assets and liabilities designated upon initial recognition as financial assets at fair value through profit or loss are also measured subsequently at fair value, with valuation gains and losses being recognised under a separate item in the income statement.

Financial investments in equity instruments that do not have a listed market price and whose fair value cannot be determined reliably are excluded from the measurement at fair value. Such financial instruments are classified as available for sale and are measured at amortised cost.

LOANS AND RECEIVABLES

Loans and receivables with fixed or definable payments that are not listed on an active market are assigned to this category. This applies regardless of whether the financial instruments were originated by the bank or acquired in the secondary market. Items belonging to this category are valued at amortised cost. Premiums or discounts are spread over the term and shown in the income statement under net interest income.

HELD TO MATURITY

This category is not addressed in greater detail, as the RLB Steiermark Group does not have any portfolio items that are held to maturity.

AVAILABLE FOR SALE

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or which are not allocated to any of the categories mentioned above. These assets are measured at fair value. The gains and losses arising from the valuation are recognised in a separate item of equity (AFS reserve) until the asset is disposed of or impaired. Upon disposal of the asset, the remeasurement gains and losses accumulated in the AFS reserve are reversed and recorded in the income statement. In the event of an impairment, the AFS reserve is adjusted by the impairment amount and entered in the income statement. If the fair value increases, the impairment will be reversed and the reversal recognised in the income statement (for debt instruments); or the impairment will be reversed and recognised in equity (for equity instruments). Impairments of equity instruments that are measured at amortised cost may not be reversed if the reasons for the impairment no longer apply. Premiums or discounts are spread over the term and shown in the income statement under net interest income.

Any financial instruments for which it was impossible to determine the fair value on a reliable basis are accounted for at amortised cost. Essentially, this applies to equity investments and investments in subsidiaries.

HEDGE ACCOUNTING

With effect from 1.7.2012, the RLB Steiermark Group has applied fair value hedge accounting as defined by IAS 39. As a general rule, the changes in the fair value of a measured hedged item that can be ascribed to a certain risk (e.g. interest or currency risk) are hedged by means of an opposing hedging transaction. By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. A fundamental prerequisite lies in the prospectively and retrospectively demonstrable and documented effectiveness of the hedging relationships. At the outset of the hedging relationship, the association between the hedged item and the hedging instrument (including the underlying risk management objectives) is documented. Furthermore, upon entering into the

hedging relationship and as it progresses, a high degree of effectiveness at compensating for changes in fair value on the part of the hedging instrument designated in the hedging relationship must be documented at regular intervals.

Within the RLB Steiermark Group, the main area of application is the hedging of balance sheet items on the liabilities side with fixed interest rate risks through – with respect to essential parameters – identical but opposing derivative financial instruments. The objective is to reduce the volatility of earnings which may arise – without hedge accounting – in the event of a one-sided market valuation of the derivative, as well as in the event of a market valuation of the derivative and the hedged item (when exercising the fair value option). To hedge the interest rate risk of refinancing, interest rate swaps are concluded that fulfil the requirements for hedge accounting. These hedges are documented, assessed on an ongoing basis and classified as highly effective. Both at the outset and throughout the term of the hedging relationship, it can be assumed that it is highly effective, that changes in the fair value of a hedged item will be offset almost completely by the changes in the fair value of the hedging instrument, and that the risk offset will lie within a range of 80% to 125%.

Hedging transactions in connection with fair value hedge accounting are shown in the balance sheet items “Other assets” and “Other liabilities”.

Hedged items in connection with fair value hedge accounting are currently included in the item “Financial liabilities at amortised cost” in the balance sheet.

The effect of hedge accounting is shown separately in the line item “Profit/loss from hedge accounting” in the income statement.

OTHER FINANCIAL LIABILITIES

Financial liabilities, provided they do not constitute trading liabilities or have not been designated under the fair value option, are also accounted for at amortised cost. Repurchased own issues are deducted from equity on the liabilities side.

FAIR VALUE

The fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a listed financial instrument is its market value.

RECOGNITION AND DERECOGNITION

A financial asset or financial liability is recognised on the balance sheet if the Group is a party to the contractual arrangements for the financial instrument and, consequently, has a right to receive or a legal obligation to pay cash.

A financial asset is derecognised as of the time when the right to dispose of the asset or the contractual rights to the asset are lost. A financial liability is derecognised when it has been repaid.

FINANCIAL GUARANTEES

A financial guarantee is a contract under which the guarantor is obliged to make certain payments that indemnify the party to whom the guarantee is issued for a loss arising in the event that particular debtor does not meet its payment obligations as stipulated by the original or amended terms of a debt instrument by the due date. The obligation arising from a financial guarantee is recorded as soon as the guarantor becomes party to the contract, i.e. at the time the guarantee offer is accepted. Initial measurement occurs at fair value on the date of recognition. This figure is assumed to be zero at the time the contract is concluded, since in the case of contracts in line with market conditions, the value of the agreed premiums corresponds to the value of the guarantee obligation. Within the scope of subsequent measurement, this figure is reviewed for indicators of impairment.

EMBEDDED DERIVATIVES

IAS 39 governs the way in which components of a hybrid security that are embedded in a non-derivative instrument (embedded derivatives) are accounted for. Under certain conditions, an embedded derivative must be separated from the primary financial instrument and accounted for as a stand-alone derivative. To reduce the complexity compared to a separate recognition and measurement of the underlying contract and the derivative, or to increase the reliability of the measurement (IAS 39.AG33A), the entire financial instrument may be recognised at fair value through profit or loss under the fair value option. In the case of structured financial instruments for which separation is obligatory, the RLB Steiermark Group makes use of this designation option and recognises those financial instruments in the balance sheet item "Financial assets – designated at fair value through profit or loss". The fair value gains and losses are also shown in a separate line item in the income statement (Profit/loss from financial instruments – designated at fair value through profit or loss).

INCOME STATEMENT

NET INTEREST INCOME

Besides interest income and interest expenses, the line item net interest income also includes all similar recurring and non-recurring income and charges.

Interest income mainly includes interest income from loans and advances to other banks and customers, from deposits with central banks and from derivative financial instruments and fixed-income securities that are not allocated to the trading portfolio. In addition, this item includes income from shares and other variable-yield securities (especially dividend income) as well as the income from interests in excluded entities and equity investments.

Interest expenses and similar charges primarily include interest costs for liabilities towards other banks and customers, central banks and for liabilities evidenced by certificates and supplementary and subordinated debt capital.

The income from investments in companies accounted for using the equity method is also shown as a separate position under net interest income. Impairments and reversals of impairment losses as well as gains and losses from the disposal of companies accounted for using the equity method are also shown under this item.

Interest income and expenses and similar income and charges are recorded and measured on an accrual basis. Dividend income is recognised as of the time the right to payment arises.

IMPAIRMENT CHARGE ON LOANS AND ADVANCES

The line item impairment charge on loans and advances includes all expenses and income connected with the revaluation of loans and advances to other banks and customers, and in connection with other credit risks for which provisions are created. In particular, this line item shows additions to and reversals of specific (item-by-item) and portfolio-based impairment allowances plus direct write-offs of loans and advances as well as recoveries of loans and advances previously written off.

Additions to and reversals of other impairment allowances that are not related to the lending business are shown in other operating profit/loss.

NET FEE AND COMMISSION INCOME

Net fee and commission income includes all income and expenses arising in connection with the rendering of services. Above all, this applies to income and expenses for services that relate to the Group's lending and securities operations and payment services.

PROFIT/LOSS FROM HEDGE ACCOUNTING

This item includes expenses and income from revaluation gains and losses on hedged items and hedging instruments.

NET TRADING INCOME

This item includes all net gains and losses from securities, loans and borrowings, derivatives and foreign currency positions carried in the trading portfolio. In addition to the income realised on and the remeasurement gains and losses from the trading portfolio measured at fair value, the refinancing costs associated with the trading portfolio are also presented under this item.

PROFIT/LOSS FROM FINANCIAL ASSETS – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This item includes both remeasurement gains and losses and profit and loss realised from securities, derivatives and loans and borrowings carried in the fair value portfolio.

52

PROFIT/LOSS FROM FINANCIAL ASSETS – AVAILABLE FOR SALE

This item comprises impairments and reversals of impairment losses as well as gains and losses from the disposal of securities, equity investments and investments in unconsolidated subsidiaries available for sale.

GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses include staff costs, other administrative expenses and depreciation/amortisation/write-offs of intangible assets and property and equipment.

OTHER OPERATING PROFIT/LOSS

Any other operating profits and losses realised by the Group are shown under other operating profit/loss.

INCOME TAXES

Current and deferred income taxes are presented under this item.

BALANCE SHEET

CASH AND BALANCES WITH CENTRAL BANKS

This item comprises cash and deposits held with central banks. These balances are recognised at their nominal value.

LOANS AND RECEIVABLES AT AMORTISED COST

Loans and advances to other banks and customers not resulting from core banking relationships and purchased receivables are measured at amortised cost without deducting impairment losses.

Premiums and discounts are spread over the respective term and shown in the income statement under net interest income. Accrued interest is reported in the respective line item.

Receivables not attributable to core banking relationships are presented under other assets.

IMPAIRMENT ALLOWANCE BALANCE

The specific risks of lending operations are covered by creating impairment allowances and provisions.

On the basis of Group-wide valuation policies, impairment allowances are made at the expected loss level for the recognisable counterparty risks associated with loans and advances to customers and other banks.

The impairment allowance for receivables includes specific impairment charges for receivables where an actual impairment of value has been ascertained.

Beyond this and when taken individually, receivables for which there is no indication of actual impairment, and receivables which, due to their immaterial nature cannot be assessed individually, are impaired using a portfolio-based approach. The amount of the impairment is based on historical default probabilities and loss rates.

Loans to foreign borrowers are measured individually, considering economic and political risk, as well as the regional situation of the relevant country (country risk).

In the event receivables cannot be collected, they are either written off directly and charged to the income statement or derecognised and charged to an existing impairment. If the credit risk no longer applies, the impairment is reversed.

The balance of impairment allowances for receivables recognised on the balance sheet is presented in a separate line item on the assets side of the balance sheet as a charge. The impairment allowance for off balance sheet transactions (particularly recourse claims from guarantees) is recognised as a provision.

TRADING ASSETS/TRADING LIABILITIES

Trading assets include securities, loan receivables (fixed deposits), derivatives (positive fair values) and other financial instruments. Trading liabilities primarily include negative fair values of derivatives, borrowings and other liabilities in the trading portfolio. Financial instruments held for trading are accounted for in the balance sheet at their fair value as at the reporting date. In the case of listed products, exchange prices are used as fair values. Where unlisted products are concerned, prices close to market prices (Bloomberg, Reuters) are used. If such prices are unavailable, fair value is measured based on present value calculations or using appropriate valuation models.

Derivatives held for trading are shown under trading assets if their fair value, including accrued interest, is positive (dirty price). If the dirty price is negative, they are presented under trading liabilities. Positive and negative fair values are not netted off against each other.

Gains and losses on the disposal and remeasurement of trading assets and trading liabilities are shown under net trading income in the income statement. This also applies to interest and dividend income from the trading portfolio as well as the interest costs of funding the trading portfolio.

FINANCIAL ASSETS – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Due to the fair value option and as a general rule, all financial instruments may, under certain circumstances, be classified irrevocably as fair value through profit or loss. The RLB Steiermark Group applies the fair value option to those situations where, through such a designation, a measurement or recognition inconsistency (accounting mismatch) can be eliminated or reduced significantly, and where the separation of embedded derivatives can be avoided. In addition, financial assets and/or financial liabilities (including derivatives) are also assigned to this category if they are managed on the basis of a documented risk management or investment strategy (within the scope of portfolios measured at fair value by the overall bank risk steering committee) and if their performance is reported to the members of the Managing Board on a regular basis.

Changes to fair value are shown in the income statement under “Profit/loss from financial instruments – designated at fair value through profit or loss”, while current interest and dividend income is shown in net interest income.

FINANCIAL ASSETS – AVAILABLE FOR SALE

This item includes securities that are available for sale, as well as investments in unconsolidated subsidiaries and other equity investments. In general, the financial assets shown in this item are measured at fair value, unless the fair value cannot be determined reliably. Investments in unlisted subsidiaries and other equity investments for which liquid market prices are unavailable, or when the relevant valuation model factors cannot be determined reliably, are measured at cost.

Remeasurement gains and losses pertaining to the AFS portfolio are taken into account initially in the statement of comprehensive income and shown in a separate line item in equity (AFS reserve). At the time of disposal, the cumulative remeasurement gains and losses that were recorded previously in equity are recognised through profit or loss and shown in the income statement under “Profit/loss from financial assets – available for sale”. Unscheduled depreciations due to impairments are also recognised through profit or loss under this item. If the reasons for the impairment no longer apply, the impairment of a debt instrument is reversed and the reversal recognised in the income statement, while an impairment of an equity instrument is reversed and recognised in equity. Any reversals of impairment are limited to the amortised cost of the respective instrument. Impairments of equity instruments that are measured at amortised cost will not be reversed if the reasons for the impairment no longer apply.

The income from bonds, including premiums and discounts amortised over the relevant term, dividend income, and income from investments in subsidiaries and equity investments are shown in net interest income.

INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in companies accounted for using the equity method were presented in a separate line item. The profit/loss (including impairments) from investments in companies accounted for using the equity method is shown in the income statement under “Net interest income”.

INTANGIBLE ASSETS

Purchased intangible assets with a determinable useful life were measured at cost less straight-line scheduled depreciation. Straight-line depreciation is based on expected useful lives ranging between 4 and 10 years (or rates of depreciation ranging between 10% and 25%). If the carrying amount of the asset exceeds its recoverable amount, an impairment loss must be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an

asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required. The reversal of previous impairment losses is limited to the asset's amortized cost.

At the balance sheet date, RLB Steiermark had no self-produced intangible assets with reliably determinable production costs that were likely to generate future economic benefits.

PROPERTY AND EQUIPMENT

Property and equipment include land and buildings used for RLB Steiermark's own purposes, as well as office furniture and equipment, and were stated at the cost of acquisition or construction less scheduled depreciation. Depreciation is carried out on a straight-line basis assuming the following useful lives:

Useful life	Years
Buildings	25-50
Office furniture and equipment	3-20

Fittings in rented premises are depreciated on a straight-line basis over the lease term or their expected useful life.

If the carrying amount of the asset exceeds its recoverable amount, IAS 36 requires an impairment loss to be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required under IAS 36. The reversal of previous impairment losses is limited to the asset's amortized cost.

REAL ESTATE HELD AS FINANCIAL INVESTMENT

Real estate held as financial investment (investment properties) include land and buildings held to generate rental income and/or for capital appreciation. Even substantial parts of mixed-use properties that are used by non-Group companies are stated as investment properties provided that they can be let or sold separately. Real estate held as financial investment is shown as a separate line item in the balance sheet. Investment properties are valued at amortised cost. Current (stable) rental income is shown in other operating profit/loss. The scheduled depreciation and overheads related to buildings leased to tenants are reported under administrative expenses.

Depreciation is carried out on a straight-line basis assuming the following useful lives:

Useful life	Years
Buildings	25-50
Office furniture and equipment	3-20

OTHER ASSETS

Other assets primarily include positive the fair values of derivatives in the banking book, receivables resulting from supplies of goods and services, tax assets, coin and inventories. Hedging transactions in connection with fair value hedge accounting are also shown under other assets.

FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilities, provided they do not constitute trading liabilities or have not been designated as part of the fair value portfolio, are recognised at amortised cost. This item includes liabilities to other banks and customers as well as liabilities evidenced by certificates and subordinated liabilities. Subordinated liabilities essentially comprise supplementary capital as defined by § 23 (7) BWG and subordinated debt capital as defined by § 23 (8) BWG.

The recognised total was reduced by the amount of securities issued by the bank that had been repurchased.

Accrued interest is shown in the respective line item. Premiums and discounts are spread over the term of the respective item and shown in the income statement on an accrual basis.

FINANCIAL LIABILITIES – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS.

This item includes those financial liabilities that meet the requirements for the application of the fair value option. These liabilities are measured at fair value on the balance sheet date. Zero-coupon bonds and similar obligations are measured on a present value basis. Liabilities to other banks and customers, liabilities evidenced by certificates and subordinated liabilities are also presented under this item. Subordinated liabilities essentially comprise supplementary capital as defined by § 23 (7) BWG and subordinated debt capital as defined by § 23 (8) BWG. The recognised total was reduced by the amount of securities issued by the bank that had been repurchased.

Changes to fair value are recognised in the income statement under “Profit/loss from financial instruments – designated at fair value through profit or loss”, while current interest expenses are shown in interest income. Premiums and discounts are accrued over the term of the respective item and presented in the income statement.

PROVISIONS

Provisions were created if there was a legal or actual obligation to a third party resulting from past transactions or events and a reliable estimate of the amount of the future liability could be made.

Post-employment benefits. The benefits offered by the RLB Steiermark Group include both defined contribution and defined benefit plans.

Defined contribution plans. A defined contribution plan is a retirement pension plan in which a defined contribution is paid to an external pension provider, and no additional payments are required if the fund does not have sufficient assets available in order to provide the benefit. In this case, the employees bear the investment risk associated with the investment. The RLB Steiermark Group makes contributions for a group of employees, either based on contractual obligations or voluntarily, to a pension fund which administers the funds and makes the pension payments. Payment of contributions to the pension fund are treated as current expenditures and recognised under the line item "general administrative expenses".

Defined benefit plans. A defined benefit plan is a retirement pension plan that commits to pay a particular benefit to the beneficiaries. The RLB Steiermark Group has irrevocably and with legally binding effect, promised a group of employees defined benefit plans (post-employment benefit schemes (*Pensionsstatute*), special agreements) that specify the amounts of subsequent pensions. The funds required to cover future pension payments are either accrued via the pension fund or remain within the entity.

All defined benefit plans relating to so-called social capital (provisions for post-employment, termination and long-service benefits and for obligations relating to phased retirement programmes) were created in accordance with IAS 19 "Employee benefits" using the projected unit credit method. The future obligations due to employees are measured on the basis of actuarial opinions. Contributions to the plan assets are made solely by the employer.

For active employees, the actuarial calculation of pension obligations was based on an effective salary increase of 2.00% per year or an individual career trend of 2.00% per year. The interest rate used for the calculation was 3.50% (2011: 4.50%), while an expected return on investment for the pension fund of 3.50% was assumed (2011: For retirees, the interest rate parameter used was 3.50% (2011: 4.50%) and the expected increase in pension benefits was set between 2.00% and 2.25% per year (the different approaches result from differing salary schemes within the RLB Steiermark Group). In the provision for post-employment benefits, no allowance was made for fluctuation rates.

According to the current provisions of Austrian law, the retirement age for women and men was set at 62 years (2011: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

For all employees who joined the Group up to and including 2002, the termination benefit obligations are determined according to the projected unit credit method referenced above. For employees who joined the Group after 1 January 2003, the termination benefit obligations were assumed by a staff benefit fund within the scope of a defined contribution plan. The RLB Steiermark Group pays contributions to a staff benefit fund in accordance with statutory provisions. There are no benefit obligations over and above the payment of contributions.

To calculate the termination benefit obligations and long-service bonuses (completing 25 or 35 years of service), an interest rate of 3.50% (2011: 4.50%), an average salary increase of 2.00% per year and an individual career trend within the range of 1.50% to 2.00% were assumed (the different approaches result from differing salary schemes within the RLB Steiermark Group). Additionally, annual fluctuation rates determined individually on the basis of employees' years of service were considered in the calculation.

For women and men, the calculations were based on a retirement age of 62 years (2011: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

As in previous years, the biometrical basis for the computation of all provisions for social capital was provided by the computational framework for post-employment benefit insurance (AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler) using the variant for salaried employees.

Allowance was made for actuarial gains and losses on provisions for termination and post-employment benefits – which result from experience adjustments, changes to actuarial assumptions and plan changes – using the corridor method. With this method, actuarial gains and losses are recognised on the balance sheet only if they exceed 10% of the present value of the defined benefit obligation (DBO) or 10% of the present value of the plan assets at the end of the previous reporting period, with the larger gain or loss used as the basis of assessment. Amounts outside the corridor are amortised over the average remaining period of service of the employees.

Expenditure on provisions for staff benefits is reported in the income statement under general administrative expenses.

60

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

OTHER LIABILITIES

Other liabilities mainly consist of negative fair values of derivatives in the banking book, liabilities resulting from supplies of goods and services, tax liabilities and other liabilities. Hedging transactions in connection with fair value hedge accounting are also shown under other liabilities.

EQUITY

Equity is composed of paid-in capital, which is the capital made available to the entity (subscribed share capital and capital reserves) and the earned capital (retained earnings, profit/loss for the year).

Equity includes, inter alia, the gains and losses not recognised in the income statement from the valuation of the AFS portfolio (AFS reserve), the proportionate changes in equity recognised directly in equity of the companies accounted for using the equity method and the deferred taxes recorded in comprehensive income.

Non-controlling interests in the equity of consolidated subsidiaries are shown as a separate item within equity.

TAX ASSETS AND TAX LIABILITIES/INCOME TAXES

Income tax assets and liabilities from current income taxes are recognised in the amount of the anticipated payments to/reimbursements from the relevant tax authorities. They are presented under the line items "Current income tax assets" and "Current income tax liabilities". Deferred income tax assets and liabilities are also shown under separate balance sheet items.

Income tax is recognised and measured in conformance with IAS 12 using the balance sheet liability method. Deferred taxes on temporary differences that will balance out again in subsequent periods are calculated by comparing the accounting values of assets and liabilities with the taxable carrying amounts of the respective Group company. Deferred tax assets and liabilities are netted off against each other for each individual entity. Deferred tax assets resulting from tax loss carryforwards are recognised if it is probable that these loss carryforwards will be recovered through future corresponding taxable earnings. Deferred taxes are not discounted.

Current and deferred income taxes are shown in the income statement under "Income tax", while other taxes are presented under "Other operating profit/loss".

TAXABLE GROUP OF COMPANIES PURSUANT TO § 9 KSTG (AUSTRIAN CORPORATION TAX ACT)

Since the 2011 assessment year, Raiffeisen-Landesbank Steiermark AG has acted as the group parent of a taxable group of companies pursuant to § 9 KStG. In addition to the group parent, the group of companies consists of three other group members (2011: 4). The companies concerned have entered into a tax reconciliation agreement which stipulates that there will be an annual balancing of the tax charges or credits arising from the income of each group member accrued during its membership in the group.

The fully consolidated Landes-Hypothekenbank Steiermark AG has been the group parent of a taxable group of companies since the 2005 assessment year. It has signed a tax contribution agreement (*Steuerumlagenvereinbarung*) with the group members. In addition to the group parent, Landes-Hypothekenbank Steiermark AG, the taxable group of companies included 14 (2011: 12) further group members in the 2012 assessment year.

Furthermore, the consolidated RLB-Beteiligungs- und Treuhandgesellschaft m.b.H. was also the group parent of a taxable group of companies, which, in addition to RLB-Beteiligungs- und Treuhandgesellschaft m.b.H., included 17 other group members (2011: 16). The tax assessment basis for the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent's tax loss carryforwards to the extent permitted by law.

REPURCHASE TRANSACTIONS

In genuine repurchase (repo) transactions, the Group sells assets to a counterparty and concurrently agrees to repurchase the same assets on a specified date at an agreed price. The assets remain on the Group's balance sheet and are measured by applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognised as a liability.

Under reverse repo agreements, assets are acquired for a consideration subject to a simultaneous undertaking to sell them in the future. Such transactions are shown under the line item "Loans and receivables at amortised cost" in the balance sheet.

Interest expenses from repos and interest income from reverse repos are deferred over the term of the transaction. They are recognised under net interest income.

SECURITIES LENDING TRANSACTIONS

Securities lending transactions are recognised in the same way as securities in genuine repurchase transactions. Loaned securities remain in the securities portfolio and are valued according to the provisions of IAS 39. Borrowed securities are neither recognised on the balance sheet nor are they measured.

TRUST ACTIVITIES

Assets and liabilities held by the RLB Steiermark Group in its own name but for the account of third parties are not recognised on the balance sheet. Any fee and commission payments arising in the course of these transactions are shown under net fee and commission income.

LATITUDE OF JUDGEMENT AND ESTIMATES

In the consolidated financial statements, judgement latitude is employed when applying recognition and measurement policies. Estimates are made that affect the recognition of assets and liabilities on the balance sheet date and the reporting of income and expenses during the reporting period.

When applying recognition and measurement policies, judgement latitude is exercised in light of the purpose of the consolidated financial statements, which is to provide meaningful information about the Group's net assets, financial position and earnings situation, and about changes in its net assets and financial position.

The main area in which assumptions and estimates are made focuses on recognising impairment allowances for future losses on loans, and on creating provisions. Actual future results may differ from estimates.

NOTES TO THE INCOME STATEMENT

1 NET INTEREST INCOME

TEUR	2012	2011
Interest income	371,192	363,814
from loans and advances to other banks	28,347	22,091
from loans and advances to customers	165,450	179,104
from fixed-income securities	74,640	72,301
from derivative financial instruments (non-trading), net	96,052	83,929
Other interest and similar income	6,703	6,389
Current income	9,675	12,802
from shares and other variable-yield securities	3,040	6,032
from investments in subsidiaries	5,273	3,712
from other equity investments	1,362	3,058
Total interest and similar income	380,867	376,616
Income from companies accounted for using the equity method	68,716	87,679
Interest expenses	-270,838	-264,171
for liabilities to other banks	-53,607	-57,998
for liabilities to customers	-71,820	-69,750
for liabilities evidenced by certificates	-138,990	-128,585
for subordinated liabilities	-6,421	-7,838
Other interest and similar expenses	-564	-546
Total interest and similar expenses	-271,402	-264,717
Total	178,181	199,578

The interest income from financial instruments not recognised at fair value through profit or loss amounted to TEUR 253,508 in the year under review (2011: TEUR 260,681). The interest expenses from financial instruments not recognised at fair value through profit or loss came to TEUR 91,941 (2011: TEUR 114,272).

The interest income and expenses resulting from trading activities are part of the net trading income.

Interest and similar income and charges are spread over the term of the respective financial instrument and measured on an accrual basis. The interest income also includes the distribution of premiums and discounts on an accrual basis.

2 IMPAIRMENT CHARGE ON LOANS AND ADVANCES

TEUR	2012	2011
Specific impairment allowances		
Additions to impairment allowances	-171,613	-76,839
Reversals of impairment allowances	51,228	52,341
Direct write-offs	-433	-1,750
Recoveries of loans and receivables previously written off	378	653
Portfolio-based impairment allowances		
Additions to impairment allowances	-2,685	-5,124
Reversals of impairment allowances	2,998	4,746
Other risk provisions		
Additions to impairment allowances	-17,312	-1,912
Reversals of impairment allowances	7,465	1,590
Total	-129,974	-26,295

For detailed information on impairment allowances, see note 13 "Impairment allowances".

3 NET FEE AND COMMISSION INCOME

TEUR	2012	2011
Lending operations	3,806	3,541
Securities operations	10,367	11,191
Payment services	16,101	15,627
Foreign exchange transactions	2,077	2,108
Other banking services	1,875	1,854
Total	34,226	34,321

The fee and commission income in the year under review amounted to TEUR 47,665 (2011: TEUR 48,146); fee and commission expenses of TEUR -13,439 (2011: TEUR -13,825) were incurred.

4 PROFIT/LOSS FROM HEDGE ACCOUNTING

TEUR	2012	2011
Revaluation gains/losses on hedged items in fair value hedges	-396	0
Revaluation gains/losses on hedging instruments in fair value hedges	414	0
Total	18	0

With effect from 1.7.2012, the RLB Steiermark Group has applied fair value hedge accounting as defined by IAS 39. The main area of application within the RLB Steiermark Group lies in hedging against fixed income risks arising from transactions on the liabilities side through financial instruments that essentially have identical parameters but are expected to move in the opposite direction.

5 NET TRADING INCOME

Net trading income comprises all interest and dividend income, refinancing costs, fees and commissions plus realised and unrealised fair value changes in the trading portfolio.

TEUR	2012	2011
Interest rate contracts	26,541	901
Currency contracts	874	7,753
Credit derivatives	1,136	-415
Other contracts	289	499
Total	28,840	8,738

6 PROFIT/LOSS FROM FINANCIAL INSTRUMENTS – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Profit/loss from financial instruments – designated at fair value through profit or loss primarily includes the gains and losses on the disposal and remeasurement of financial instruments managed on the basis of a documented risk management or investment strategy within the scope of portfolios, as well as financial instruments and financial liabilities designated at fair value under the fair value option to avoid accounting mismatches. This also includes the gains and losses on the remeasurement of derivatives that have a demonstrable economic relationship with these designated financial instruments.

TEUR	2012	2011
Profit/loss from disposals	9,801	1,559
Profit/loss from revaluations	44,345	44,003
Total	54,146	45,562

No significant fair value changes to loans and receivables designated at fair value are attributable to changes in the ratings of the issuers.

7 PROFIT/LOSS FROM FINANCIAL ASSETS – AVAILABLE FOR SALE

Profit/loss from financial assets – available for sale comprises the gains and losses on the disposal and remeasurement of AFS securities and of equity investments and investments in unconsolidated subsidiaries.

TEUR	2012	2011
Gains and losses from disposals	14,125	1,486
Securities	14,411	1,486
Equity investments	-286	0
Remeasurement gains and losses	-62,530	-45,938
Depreciation due to impairment	-63,947	-47,270
Securities	-4,907	-6,747
Equity investments	-4,751	-5,489
Investments in subsidiaries	-54,289	-35,034
Reversals of impairments	1,417	1,332
Securities	1,417	1,332
Total	-48,405	-44,452

8 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise staff costs, other administrative expenses and depreciation and break down as follows:

TEUR	2012	2011
Staff costs	-87,719	-85,504
Wages and salaries	-62,782	-60,614
Social security costs	-16,294	-15,468
Voluntary social benefits	-1,916	-1,678
Expenses for severance payments and pensions	-6,727	-7,744
Other administrative expenses	-60,261	-60,225
Rental costs	-28,801	-27,146
Maintenance costs	-4,608	-7,090
Expenses attributable to investment properties	-317	-550
Operating expenses associated with business premises	-2,880	-2,853
Legal and consultancy fees	-4,116	-4,111
Advertising and entertainment expenses	-4,514	-4,356
Staff training expenses	-1,116	-920
Office costs	-6,856	-5,834
Vehicle costs	-371	-378
Other administrative expenses	-6,682	-6,987
Depreciation	-15,465	-15,582
Property and equipment	-6,549	-6,257
Intangible assets	-8,762	-9,015
Real estate held as financial investments	-154	-310
Total	-163,445	-161,311

9 OTHER OPERATING PROFIT/LOSS

Other operating profit/loss includes, inter alia, the income and expenses from the disposal of property and equipment, real estate and intangible assets, as well as income from internal charges for IT services and other taxes.

TEUR	2012	2011
Profit/loss from the disposal of property and equipment and of intangible assets	360	-916
Income attributable to investment properties	1,704	1,077
Other operating income (primarily: IT-based settlement transactions):	71,266	71,829
Other taxes	-9,185	-7,336
Contributions to sectoral support institutions	-1,965	-1,597
Other operating expenses	-1,483	-5,262
Total	60,697	57,795

The line item "Other taxes" includes, inter alia, the stability fee (*Stabilitätsabgabe*) charged in Austria since 2011 in the amount of TEUR 9,076 (2011: TEUR 7,261). In addition, the profit from the sale of the "Steirerhof" property has also been recorded under other operating profit/loss.

10 INCOME TAXES

Income taxes include the current taxes on income calculated in each of the Group companies on the basis of taxable results, income tax corrections and changes to deferred taxes.

TEUR	2012	2011
Current income taxes	3,332	-1,577
Deferred taxes	-16,873	-32,320
Total	-13,541	-33,897

For detailed information on deferred taxes, see note 26 "Current and deferred income tax assets and liabilities".

The following reconciliation shows the relationship between profit/loss for the year and actual tax burden:

TEUR	2012	2011
Pre-tax profit/loss for the year	14,284	113,936
Theoretical income tax expense in the year under review, based on the domestic income tax rate of 25%	-3,571	-28,484
Reduction in the tax burden due to tax-exempt income from equity investments and other tax-exempt income	5,356	9,341
Associates accounted for using the equity method	17,179	21,919
Increase in the tax burden due to non-tax deductible expenses	-2,637	-1,160
Decrease/increase in deferred tax assets due to changes in unused tax loss carryforwards and impairments to equity investments	-27,371	-33,838
Other	-2,497	-1,675
Actual tax income/actual tax burden	-13,541	-33,897
Tax rate (%)	94.80%	29.75%

SEGMENT REPORTING

Segment reporting is based on the Group's internal organisational and management structure as well as its internal financial reporting system. The process of segmental reporting follows the "management approach" pursuant to IFRS 8 "Operating segments", which requires segmental information to be presented externally in the same manner as it is provided regularly to the Group Managing Board for performance assessment and resource allocation purposes.

Such reporting takes the form of a multi-stage breakeven analysis. Income and expenses are allocated to the originating segments. Income positions are the net interest income, net fee and commission income, net trading income and other operating profit/loss. Net interest income is calculated on the basis of the market interest rate method.

The impairment charge on loans and advances captures the net impairment allowance for counterparty risks, direct write-offs and the recovery of loans and advances previously written off. General administrative expenses include direct and indirect costs. Direct costs (staff costs and other administrative expenses) are incurred by individual business segments, while indirect costs are allocated on the basis of internal accounting prices or predefined ratios.

The total risk of the individual segments calculated according to the internal risk identification and management processes forms the basis for the distribution of equity. The net notional interest credit is determined on the basis of the allocated equity and reported in net interest income.

The business segments are presented as if they were autonomous entities with their own capital resources and the responsibility for their own results.

The attribution of costs to the individual segments is based on cost accounting and defined internal institutional accounting standards.

Business segments are classified on the basis of the organisational responsibility for the RLB Steiermark Group's customers.

RLB Steiermark's segment reporting system distinguishes between the following business segments:

- Retail banking
- Corporate customers
- Capital market and treasury
- Investments
- Other operations

RETAIL BANKING

The retail banking segment includes the Group's retail and private banking operations. Retail banking customers are serviced at 25 banking outlets in Styria as well as in the central consultancy centres for private banking, home and construction loans and the Raiffeisen University Centre. This segment targets all private individuals, small businesses and self-employed customers. The retail banking segment primarily offers standardised products such as passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, mortgages and other loans. In the private banking segment, product emphasis is on securities operations.

CORPORATE CUSTOMERS

In corporate customers segment, the RLB Steiermark Group concentrates its strategic focus on the industry sector, SMEs, institutional customers and the public sector. This segment covers traditional financing services for corporate customers, trade and export finance, documentary business and the financing of local authorities and financial institutions. Traditional financing services include the provision of working capital, investment finance and trade finance using a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, factoring and venture capital finance). The foreign loans department processes the export finance arrangements subsidised by Oesterreichische Kontrollbank AG (e.g. tied finance loans for buyers, preferential financing for exporters). Other areas of responsibility include the preparation of guarantees and letters of credit for Austrian and international customers.

CAPITAL MARKET AND TREASURY

The capital market and treasury segment covers the Group's treasury activities, in particular its earnings from management of the banking book (profit from maturity transformation (*Strukturbeitrag*)) and from the trading book. The capital market and treasury segment is responsible for the Group's proprietary positions with interest rate and price products (money market deposits, forwards, futures and options). These include interest rate and currency contracts, liquidity management and asset liability management (maturity transformation). Treasury operations also include management of the Group's portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

Trading in financial instruments occurs centrally and is subject to limits that are strictly enforced. While all proprietary trading is reported in this segment, profit contributions made by customer treasury transactions are allocated to other segments. The portion of the contribution to profit made over and above market prices is allocated to the customer segments.

INVESTMENTS

The investments segment comprises the Group's portfolio of equity investments in banks and financial institutions, including associates that are accounted for using the equity method. The most important components are equity investments in the universal financial services area, particularly investments in the Austrian Raiffeisen organisation (*Verbund*), such as those in RZB and its subsidiary, RBI. All activities connected with the Raiffeisen banks are also included in this segment. However, if such activities pertain to the interbank business, they are included in the capital market and treasury segment.

OTHER OPERATIONS

The other operations segment includes the income and expenses arising in connection with the data processing centre, which provides IT services to Raiffeisen banks and other third party customers. In addition, this segment encompasses income and expenses that cannot, by their nature, be allocated to any other business segment.

The RLB Steiermark Group uses two central key performance indicators: return on equity (ROE) and Cost/income ratio (CIR).

Return on equity expresses the ratio between net profit/loss for the year and average equity employed, and shows the interest on the capital employed in the respective segment.

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

The RLB Steiermark Group primarily operates within Austria, particularly in the federal state of Styria.

2012 FINANCIAL YEAR

TEUR	Corporate customers	Retail banking customers	Capital market and treasury	Equity investments	Other	Total
Net interest income	77,402	23,959	43,098	36,402	-2,680	178,181
Impairment charge on loans and advances	-125,703	-3,423	-348	0	-500	-129,974
Net interest income after impairment charge	-48,301	20,536	42,750	36,402	-3,180	48,207
Net fee and commission income	11,189	10,827	4,916	7,130	164	34,226
Net trading income	457	514	27,831	0	38	28,840
Profit/loss from financial assets/liabilities ¹⁾	-3,037	0	68,122	-59,326	0	5,759
Administrative expenses (including depreciation)	-23,384	-33,473	-15,155	-36,020	-55,413	-163,445
Other operating profit/loss	-726	113	79	28,268	32,963	60,697
Pre-tax profit/loss for the year	-63,802	-1,483	128,543	-23,546	-25,428	14,284
Ø allocated equity	314,953	40,164	328,479	712,886	0	1,396,482
Return on equity	-	-	39.13%	-	n/a	1.02%
Cost/income ratio	26.48%	94.52%	19.96%	50.17%	181.78%	54.13%

The income statement line items "Profit/loss from financial instruments – designated at fair value through profit or loss", "Profit/loss from financial assets – available for sale" and "Profit/loss from hedge accounting" are aggregated under "Profit/loss from financial assets/liabilities".

The income from investments in companies accounted for using the equity method, in the amount of TEUR 68,716 (2011: TEUR 87,679) relates in its entirety to the investments segment. The carrying amount of the associates, totalling TEUR 1,290,567 (2011: TEUR 1,233,858) is also attributable to the investments segment.

2011 FINANCIAL YEAR

TEUR	Corporate customers	Retail banking customers	Capital market and treasury	Equity investments	Other	Total
Net interest income	82,518	28,247	39,814	47,862	1,137	199,578
Impairment charge on loans and advances	-19,072	-7,627	-46	347	103	-26,295
Net interest income after impairment charge	63,446	20,620	39,767	48,209	1,241	173,283
Net fee and commission income	10,912	11,317	4,734	7,156	201	34,321
Net trading income	303	339	8,096	0	0	8,738
Profit/loss from financial assets/liabilities ¹⁾	-4,927	0	46,560	-40,523	0	1,110
Administrative expenses (including depreciation)	-22,438	-33,148	-15,018	-34,136	-56,571	-161,311
Other operating profit/loss	51	76	465	20,854	36,350	57,795
Pre-tax profit/loss for the year	47,347	-796	84,604	1,560	-18,779	113,936
Ø allocated equity	497,342	92,599	341,375	373,024	23,004	1,327,344
Return on equity	9.52%	-	24.78%	0.42%	-	8.58%
Cost/income ratio	23.93%	82.91%	28.28%	44.99%	150.10%	53.69%

The two income statement line items "Profit/loss from financial instruments – designated at fair value through profit or loss" and "Profit/loss from financial assets – available for sale" are aggregated under "Profit/loss from financial assets/liabilities".

NOTES TO THE BALANCE SHEET

11 CASH AND BALANCES WITH CENTRAL BANKS

TEUR	2012	2011
Cash on hand	18,465	17,945
Balances with central banks	175,081	259,271
Total	193,546	277,216

12 LOANS AND RECEIVABLES AT AMORTISED COST

All receivables recognised under this item are categorised as "loans and receivables". Receivables designated under the fair value option are shown in the balance sheet item "Financial assets – designated at fair value through profit or loss".

TEUR	2012	2011
Loans and advances to other banks	2,017,195	1,677,219
Loans and advances to customers	6,221,934	6,359,749
Total	8,239,129	8,036,968

Breakdown of loans and advances to other banks at amortised cost:

TEUR	2012	2011
Demand deposits	620,666	526,030
Time deposits	971,620	618,603
Other loans and advances	424,909	532,586
Loans and advances to other banks before impairment charge	2,017,195	1,677,219
Provisions for losses on loans and advances to other banks	0	0
Total	2,017,195	1,677,219

TEUR	2012	2011
Unimpaired loans and advances		
Carrying amount before impairment	2,017,195	1,677,219
Portfolio-based provisions for impairment losses	0	0
Carrying amount	2,017,195	1,677,219
Unimpaired loans and advances past due		
Carrying amount before impairment	0	0
Portfolio-based provisions for impairment losses	0	0
Carrying amount	0	0
Non-performing loans and advances		
Carrying amount before impairment	0	0
Specific provisions for impairment losses	0	0
Portfolio-based provisions for impairment losses	0	0
Carrying amount	0	0
Total	2,017,195	1,677,219

TEUR	2012	2011
Loans and advances by rating categories*		
Rating category Aaa–B2	2,012,258	1,670,312
Rating category B3–D	4,937	6,907
Total	2,017,195	1,677,219

* Raiffeisen ratings matched to Moody's.

Breakdown of loans and advances to customers at amortised cost:

TEUR	2012	2011
Loans and advances to customers before impairment charge	6,221,934	6,359,749
Provisions for losses on loans and advances to customers	-372,326	-281,209
Total	5,849,608	6,078,540

TEUR	2012	2011
Unimpaired loans and advances		
Carrying amount before impairment	5,255,316	5,599,848
Portfolio-based provisions for impairment losses	-24,313	-29,361
Carrying amount	5,231,003	5,570,487
Unimpaired loans and advances past due		
Carrying amount before impairment	473,622	347,906
Portfolio-based provisions for impairment losses	-6,439	-1,725
Carrying amount	467,183	346,181
Non-performing loans and advances		
Carrying amount before impairment	492,996	411,995
Specific provisions for impairment losses	-341,003	-249,573
Portfolio-based provisions for impairment losses	-571	-550
Carrying amount	151,422	161,872
Total	5,849,608	6,078,540

Non-performing loans and advances are primarily those with a credit rating of 4.5, 5.0, 5.1 and 5.2.

TEUR	2012	2011
Carrying amount of unimpaired loans and advances past due by age		
1–30 days	435,554	312,053
31–60 days	20,900	25,407
61–90 days	17,168	10,446
Total	473,622	347,906

TEUR	2012	2011
Loans and advances by credit rating categories*		
Rating category Aaa–B2	5,405,803	5,495,201
Rating category B3–D	816,131	864,548
Total	6,221,934	6,359,749

* Raiffeisen ratings matched to Moody's.

TEUR	2012	2011
Public sector	720,787	800,353
Commercial loans	4,425,727	4,501,035
Commodities cooperatives and production cooperatives	84,898	70,603
Retail loans	990,081	987,315
Other	441	443
Total	6,221,934	6,359,749

13 IMPAIRMENT ALLOWANCES

The impairment allowances on loans and advances (which are capitalised on the assets side of the balance sheet) and the provisions for recourse claims from guarantees (reported on the liabilities side) are shown here. The portfolio-based impairment allowances reflect the assumptions regarding impairments of the loan portfolio that have already occurred but are not yet known on the balance sheet date.

2012 FINANCIAL YEAR

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Closing balance at 31 December
Provisions for losses on loans and advances to customers					
Specific provisions for impairment losses	249,573	171,613	-28,955	-51,228	341,003
Portfolio-based provisions for impairment losses	31,636	2,685	0	-2,998	31,323
Balance	281,209	174,298	-28,955	-54,226	372,326
Balance of impairment allowances (netted against the assets side)	281,209	174,298	-28,955	-54,226	372,326
Provisions for recourse claims from guarantees	5,631	17,312	-436	-7,465	15,042
Total	286,840	191,610	-29,391	-61,691	387,368

2011 FINANCIAL YEAR

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Closing balance at 31 December
Provisions for losses on loans and advances to other banks					
Specific provisions for impairment losses	302	0	0	-302	0
Balance	302	0	0	-302	0
Provisions for losses on loans and advances to customers					
Specific provisions for impairment losses	246,689	76,839	-21,916	-52,039	249,573
Portfolio-based provisions for impairment losses	31,258	5,124	0	-4,746	31,636
Balance	277,947	81,963	-21,916	-56,785	281,209
Balance of impairment allowances (netted against the assets side)	278,249	81,963	-21,916	-57,087	281,209
Provisions for recourse claims from guarantees	6,216	1,912	-907	-1,590	5,631
Total	284,465	83,875	-22,823	-58,677	286,840

14 TRADING ASSETS

Trading assets comprise the following loans and receivables and derivative financial instruments held for trading.

TEUR	2012	2011
Positive fair values of derivative contracts (dirty price)	348,050	236,600
Loans and receivables	1,749,752	1,492,332
Total	2,097,802	1,728,932

The loans and receivables in the trading portfolio consist of fixed deposits held for trading.

Breakdown of the positive fair values of derivative contracts carried in the trading portfolio:

TEUR	2012	2011
Positive fair values from interest rate transactions	340,475	235,921
Positive fair values from exchange rate transactions	7,575	679
Total	348,050	236,600

15 FINANCIAL ASSETS –DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

TEUR	2012	2011
Bonds and other fixed-income securities	587,952	467,792
Shares and other variable-yield securities	48,879	70,194
Loans and receivables (debt instruments)	193,264	174,217
Designated institutional funds	181,960	163,152
Total	1,012,055	875,355

The designated institutional funds consist in their entirety of the “DASAA 8010 Miteigentumsspezialfonds” (joint ownership special fund) in accordance with § 20a InvFG.

Breakdown of bonds and other fixed-income securities – designated at fair value:

TEUR	2012	2011
Public-sector debt instruments eligible for refinancing	142,931	57,398
Bonds and debt securities issued by other issuers	445,021	410,394
Total	587,952	467,792
of which:		
listed	587,952	467,792

Breakdown of shares and other variable-yield securities– designated at fair value:

TEUR	2012	2011
Other securities	48,879	70,194
Total	48,879	70,194
of which:		
listed	12,581	37,119
unlisted	36,298	33,075

Breakdown of loans and receivables – designated at fair value:

TEUR	2012	2011
Time deposits	64,385	64,140
Debt instruments (receivables evidenced by certificates)	128,879	110,077
Total	193,264	174,217

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2012:

Country	Sovereigns	Banks	Funds	Total
France	0	73,692	22,486	96,178
Greece	0	0	0	0
Italy	0	5,507	0	5,507
Republic of Ireland	0	0	8,285	8,285
Spain	0	0	0	0
Total	0	79,199	30,771	109,970

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2011:

Country	Sovereigns	Banks	Funds	Total
France	0	54,152	0	54,152
Greece	2,578	0	0	2,578
Italy	0	7,841	0	7,841
Republic of Ireland	0	0	5,412	5,412
Spain	0	5,418	0	5,418
Total	2,578	67,411	5,412	75,401

Greek government bonds were impaired by TEUR 4,910 during the 2011 financial year. They were recognised in the consolidated financial statements at their fair value as at 31.12.2011. In 2012, the entire portfolio of Greek government bonds was sold.

16 FINANCIAL ASSETS – AVAILABLE FOR SALE

TEUR	2012	2011
Bonds and other fixed-income securities	1,358,678	1,511,181
Shares and other variable-yield securities	13,624	20,012
Other loans and receivables (debt instruments)	206,164	172,905
Equity investments and investments in subsidiaries	171,915	178,121
Total	1,750,381	1,882,219

Financial assets – available for sale include impaired assets for which, in the 2012 financial year, an impairment of TEUR 63,947 (2011: TEUR 47,270) was recognised in the income statement.

Equity investments and investments in associates for which neither liquid market prices are available nor the factors relevant for valuation model factors can be reliably determined, are stated at amortised cost.

Breakdown of bonds and other fixed-income securities– available for sale:

TEUR	2012	2011
Public-sector debt instruments eligible for refinancing	245,921	270,844
Bonds and debt securities issued by other issuers	1,112,757	1,240,337
Total	1,358,678	1,511,181
of which:		
listed	1,358,678	1,511,181

Breakdown of shares and other variable-yield securities – available for sale:

TEUR	2012	2011
Shares	3	2.344
Other securities	13,621	17,668
Total	13,624	20,012
of which:		
listed	3	8,804
unlisted	13,621	11,208

Breakdown of loans and receivables – available for sale:

TEUR	2012	2011
Debt instruments (receivables evidenced by certificates)	206,164	172,905
Total	206,164	172,905

Breakdown of equity investments and investments in subsidiaries – available for sale:

TEUR	2012	2011
Investments in unconsolidated subsidiaries ¹⁾	153,235	142,007
Other equity investments ²⁾	18,680	36,114
Total	171,915	178,121

¹⁾ This line item shows investments with an equity holding exceeding 50%, which are not consolidated for reasons of materiality.

²⁾ This line item shows investments with an equity holding of less than 20% and investments between 20% and 50%, which are not consolidated for reasons of materiality.

Currently, there are no plans to sell these assets.

Breakdown of financial assets – available for sale by selected countries as at 31.12.2012:

Country	Sovereigns	Banks	Total	AFS reserve
France	0	231,232	231,232	13,471
Italy	0	25,007	25,007	-220
Slovenia	0	0	0	0
Spain	0	0	0	0
Total	0	256,239	256,239	13,251

Breakdown of financial assets – available for sale by selected countries as at 31.12.2011:

Country	Sovereigns	Banks	Total	AFS reserve
France	0	192,057	192,057	1,352
Italy	0	67,150	67,150	-3,231
Slovenia	0	4,060	4,060	0
Spain	0	27,339	27,339	-51
Total	0	290,606	290,606	-1,930

17 INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

TEUR	2012	2011
Banks	1,290,567	1,233,858
Total	1,290,567	1,233,858

This item includes the equity investment in RZB at a carrying amount of TEUR 1,120,567 (2011: TEUR 1,043,271).

In the first half of 2012, as a result of the new regulatory environment for Tier 1 capital under banking law, Raiffeisen Zentralbank Österreich AG called in non-voting, non-ownership capital (*Partizipationskapital*) amounting to a total of TEUR 841,843 and concurrently resolved to implement a capital increase. Due to this procedure, the consolidated ownership interest of the RLB Steiermark Group (15.66% on 31.12.2011) was reduced to 15.17% on the reporting date.

As in the previous year, Raiffeisenbank Austria d.d., Zagreb, was accounted for using the equity method and was stated with a carrying amount of TEUR 170,000 (2011: TEUR 190,587). In the 2012 financial year, an impairment of TEUR 13,552 to the lower fair value was undertaken for this equity investment. The impairment is shown in the income statement under "Income from companies accounted for using the equity method". Due to the existence of objective indications, the investment had to be tested for impairment.

To determine the fair value, a discount rate of 13.0% was used for 2013. Due to expected improvements, this rate decreases to 12.55% until the perpetual annuity level has been reached.

18 INTANGIBLE ASSETS

2012 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production			Depreciation		Carrying amounts	
	At 1 January	Additions ¹⁾	Disposals	Accumulated	Financial year	At 31 December	At 1 January
Software	93,590	7,578	42,986	44,107	8,762	14,075	15,259

¹⁾ Additions to intangible assets exclusively relate to software acquisitions.

2011 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production			Depreciation		Carrying amounts	
	At 1 January	Additions ¹⁾	Disposals	Accumulated	Financial year	At 31 December	At 1 January
Software	87,809	5,781	0	78,331	9,015	15,259	18,493

¹⁾ Additions to intangible assets exclusively relate to software acquisitions.

19 PROPERTY AND EQUIPMENT

2012 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production				Depreciation		Carrying amounts	
	At 1 January	Additions	Disposals	Transfers	Accumulated	Current fiscal year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	87,537	25,627	18,740	0	25,274	1,675	69,150	50,107
Other land and buildings	3,018	6	25	0	1,841	59	1,158	1,211
Office furniture and equipment, other property and equipment	88,166	5,625	7,468	0	70,356	4,815	15,967	15,307
Total	178,721	31,258	26,233	0	97,471	6,549	86,275	66,625

2011 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production				Depreciation		Carrying amounts	
	At 1 January	Additions	Disposals	Transfers	Accumulated	Current fiscal year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	47,426	14,430	1,856	27,537	37,430	1,714	50,107	15,444
Other land and buildings	3,009	9	0	0	1,807	58	1,211	1,260
Office furniture and equipment, other property and equipment	87,187	7,404	7,073	648	72,859	4,793	15,307	12,746
Total	137,622	21,843	8,929	28,185	112,096	6,565	66,625	29,450

The transfers in the 2011 financial year are attributable to changes in the scope of consolidation.

The land and buildings used by the Group for its own operations consist of properties in Graz and Graz-Raaba. The liabilities arising from the use of property and equipment not recognised on the balance sheet amount to TEUR 4,181 for the following financial year (2011: TEUR 3,883). The total liabilities for the following five financial years total TEUR 19,827 (2011: TEUR 20,049).

20 REAL ESTATE HELD AS FINANCIAL INVESTMENTS

2012 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production				Depreciation		Carrying amounts	
	At 1 January	Additions	Disposals	Transfers	Accumulated	Current fiscal year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	16,763	0	16,763	0	6,018	154	0	11,055
Total	16,763	0	16,763	0	6,018	154	0	11,055

The "Steirerhof" real estate property was sold during the current financial year. The fair value of the assets held as financial investments came to TEUR 12,871 as at 31.12.2011. The transfers in 2011 were attributable to changes in the scope of consolidation.

2011 FINANCIAL YEAR

TEUR	Historical cost of acquisition/production				Depreciation		Carrying amounts	
	At 1 January	Additions	Disposals	Transfers	Accumulated	Current fiscal year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	0	0	0	16,763	5,708	310	11,055	0
Total	0	0	0	16,763	5,708	310	11,055	0

21 OTHER ASSETS

TEUR	2012	2011
Tax assets	2,560	1,829
Positive fair values of derivatives in the banking book (dirty price)	564,927	450,265
Other assets	102,666	103,991
Total	670,153	556,085

Breakdown of the positive fair values of derivatives in the banking book:

This item presents the positive fair values of derivative financial instruments not held for trading.

TEUR	2012	2011
Positive fair values from interest rate transactions	549,959	430,230
Positive fair values from exchange rate transactions	14,961	20,035
Positive fair values from credit derivatives	7	0
Total	564,927	450,265

The fair value of derivative financial instruments used in hedging transactions under fair value hedge accounting amounted to TEUR 409 as at 31.12.2012 (2011: TEUR 0).

Breakdown of other assets:

TEUR	2012	2011
Accruals and deferred items	1,925	1,772
Other clearing items	100,741	102,219
Total	102,666	103,991

The other clearing items include capitalised profit entitlements totalling TEUR 41,465 (2011: TEUR 34,113).

22 FINANCIAL LIABILITIES AT AMORTISED COST

The liabilities shown in this item are measured at amortised cost. Liabilities designated under the fair value option are shown in the balance sheet item "Financial liabilities – designated at fair value through profit or loss".

TEUR	2012	2011
Liabilities to other banks	3,597,499	3,248,126
Liabilities to customers	2,357,117	2,220,733
Liabilities evidenced by certificates	991,554	1,003,267
Subordinated liabilities	35,308	35,624
Total	6,981,478	6,507,750

Breakdown of liabilities to other banks at amortised cost:

TEUR	2012	2011
Demand deposits	1,681,925	1,636,874
Time deposits	727,649	715,706
Borrowed funds	1,187,925	895,546
Total	3,597,499	3,248,126

Breakdown of liabilities to customers at amortised cost:

TEUR	2012	2011
Sight deposits	1,341,765	1,168,511
Time deposits	148,857	177,208
Savings deposits	866,495	875,014
Total	2,357,117	2,220,733

Breakdown of liabilities evidenced by certificates at amortised cost:

TEUR	2012	2011
Issued bonds	761,120	792,581
Other liabilities evidenced by certificates	230,434	210,686
Total	991,554	1,003,267

Breakdown of subordinated liabilities at amortised cost:

TEUR	2012	2011
Subordinated debt capital	24,555	24,558
Supplementary capital	10,753	11,066
Total	35,308	35,624

The liabilities shown in this item relate exclusively to subordinated debt capital and supplementary capital as defined by BWG.

23 TRADING LIABILITIES

Trading liabilities comprise the following financial instruments held for trading:

TEUR	2012	2011
Negative fair values of derivative contracts (dirty price)	242,555	193,588
Deposits from customers	0	5,001
Deposits from banks	445,250	721,438
Total	687,805	920,027

Breakdown of the negative fair values of derivative contracts carried in the trading portfolio:

TEUR	2012	2011
Negative fair values from interest rate transactions	226,491	139,947
Negative fair values from exchange rate transactions	16,064	53,641
Total	242,555	193,588

Breakdown of deposits from banks:

TEUR	2012	2011
Time deposits carried in the trading portfolio	254,776	197,705
Borrowed funds carried in the trading portfolio	190,474	523,733
Total	445,250	721,438

The borrowed funds in the trading portfolio relate to funding from the SNB tender procedure.

24 FINANCIAL LIABILITIES – DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

TEUR	2012	2011
Liabilities to other banks	363,978	365,638
Liabilities to customers	1,344,424	1,218,311
Liabilities evidenced by certificates	3,832,240	3,723,418
Subordinated liabilities	85,196	110,255
Total	5,625,838	5,417,622

Breakdown of liabilities to other banks – designated at fair value:

TEUR	2012	2011
Time deposits	85,937	96,096
Borrowed funds	278,041	269,542
Total	363,978	365,638

Breakdown of liabilities to customers – designated at fair value:

TEUR	2012	2011
Time deposits	1,344,424	1,218,311
Total	1,344,424	1,218,311

Breakdown of liabilities evidenced by certificates – designated at fair value:

TEUR	2012	2011
Issued bonds	2,284,433	2,328,796
Other liabilities evidenced by certificates	1,547,807	1,394,622
Total	3,832,240	3,723,418

Breakdown of subordinated liabilities – designated at fair value:

TEUR	2012	2011
Subordinated debt capital	47,859	45,436
Supplementary capital	37,337	64,819
Total	85,196	110,255

The liabilities shown in this item (measured at fair value) pertain only to subordinated debt capital and supplementary capital as defined by BWG.

The application of the fair value option to financial liabilities results in a carrying amount of TEUR 382,144 (2011: TEUR 328,324) above the future repayment amount of these liabilities.

No significant fair value changes in designated financial liabilities are attributable to changes in the rating of RLB Steiermark.

25 PROVISIONS

2012 FINANCIAL YEAR

TEUR	At 1 January	Transfer	Addition	Utilisation	Reversal	At 31 December
Termination benefits and similar obligations	29,485	0	683	0	0	30,168
Post-employment benefits and similar obligations	24,704	0	0	0	-1,125	23,579
Long-service bonuses	4,664	0	319	0	-17	4,966
Other	12,490	0	19,793	-6,157	-7,504	18,622
Total	71,343	0	20,795	-6,157	-8,646	77,335

Other provisions relate primarily to provisions for recourse claims from guarantees amounting to TEUR 15,042 (2011: TEUR 5,631) and provisions for early retirement benefits amounting to TEUR 720 (2011: TEUR 1,268). These are exclusively short-term provisions.

2011 FINANCIAL YEAR

TEUR	At 1 January	Transfer	Addition	Utilisation	Reversal	At 31 December
Termination benefits and similar obligations	27,690	-22	1,817	0	0	29,485
Post-employment benefits and similar obligations	25,255	0	213	0	-764	24,704
Long-service bonuses	4,554	-7	105	12	0	4,664
Other	12,684	0	7,157	-3,040	-4,311	12,490
Total	70,183	-29	9,292	-3,028	-5,075	71,343

Termination benefit obligations changed as follows:

TEUR	2012	2011
Present value of defined benefit obligations (DBO) at 1 January	29,050	27,601
Obligations transferred without being recognised in the income statement	0	-22
Service costs	1,386	1,476
Interest costs	1,246	1,202
Termination benefit payments	-1,952	-861
Actuarial gain/loss for the financial year	2,884	-346
Present value of defined benefit obligations (DBO) at 31 December	32,614	29,050
Accumulated unrecognised actuarial gains/losses	-2,446	435
Closing balance at 31 December	30,168	29,485

Post-employment benefit obligations changed as follows:

TEUR	2012	2011
Present value of defined benefit obligations (DBO) at 1 January	33,222	32,905
Service costs	525	529
Interest costs	1,443	1,430
Transfers to defined contribution plan	-2,508	0
Payments to beneficiaries	-2,210	-2,192
Actuarial gain/loss for the financial year	3,459	550
Present value of defined benefit obligations (DBO) at 31 December	33,931	33,222

Plan assets changed as follows:

TEUR	2012	2011
Fair value of plan assets at 1 January	8,678	9,060
Expected return on plan assets	379	383
Transfers to defined contribution plan	-2,231	0
Contributions to plan assets	641	220
Retirement benefits paid from plan assets	-349	-339
Actuarial gain/loss for the financial year	76	-646
Fair value of plan assets at 31 December	7,194	8,678

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

TEUR	2012	2011
Present value of defined benefit obligations (DBO) at 31 December	33,931	33,222
Fair value of plan assets at 31 December	-7,194	-8,678
Net obligations	26,737	24,544
Accumulated unrecognised actuarial gains/losses	-3,158	160
Closing balance at 31 December	23,579	24,704

Breakdown of post-employment benefit obligations by source of financing:

TEUR	2012	2011
Present value of defined post-employment benefit obligations (DBO) at 31 December	33,931	33,222
of which directly financed obligations	25,308	23,756
of which financial obligations financed via pension funds and/or insurers	8,623	9,466

The plan assets were structured as follows:

%	2012	2011
Bonds and other fixed-income securities	54.89	52.96
Shares and other variable-yield securities	32.25	16.71
Real estate	4.57	3.64
Other	8.29	26.69
Total	100.00	100.00

Return on plan assets:

TEUR	2012	2011
Actual losses/return on plan assets	455	-264

Provisions for long-service bonuses changed as follows:

TEUR	2012	2011
Present value of defined benefit obligations (DBO) at 1 January	4,664	4,554
Obligations transferred without being recognised in the income statement	0	-6
Service costs	233	230
Interest costs	199	195
Payments	-397	-400
Gain/loss due to plan curtailments	0	0
Actuarial gain/loss for the financial year	267	91
Present value of defined benefit obligations (DBI) at 31 December = closing balance	4,966	4,664

The following tables show the present values of the defined benefit obligations, fair values of the plan assets and experience adjustments:

Termination benefits:

TEUR	2012	2011	2010	2009	2008
Present value of obligations	32,614	29,050	27,601	25,515	25,445
Experience adjustments on obligations	-453	458	670	111	-612

Post-employment benefits:

TEUR	2012	2011	2010	2009	2008
Present value of obligations	33,931	33,222	32,905	30,959	31,208
Fair value of plan assets	7,194	8,678	9,060	8,917	7,179
Net obligations	26,737	24,544	23,845	22,042	24,029
Experience adjustments on obligations	-283	-550	1,036	-411	-114
Experience adjustments on plan assets	-76	646	182	-463	1,077

Long-service bonuses:

TEUR	2012	2011	2010	2009	2008
Present value of obligations	4,966	4,665	4,554	4,639	4,989
Experience adjustments on obligations	66	-23	3	17	-266

Estimate of amounts that will be paid into the plan in the ensuing year:

TEUR	2013	2012
Termination benefits	2,741	2,218
Post-employment benefits	2,342	2,421
Long-service bonuses	648	681

Breakdown of expenditure on defined contribution plans:

TEUR	2012	2011
Expenditure on defined contribution plans	2,641	2,536
of which on defined contribution plans (pension fund)	2,347	2,316
Of which on the staff benefit fund	294	220

26 CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

TEUR	2012	2011
Current income tax assets	12,319	21,731
Deferred tax assets	2,096	7,513
Total	14,415	29,244

TEUR	2012	2011
Current income tax liabilities	400	2,004
Deferred tax liabilities	26,554	3,425
Total	26,954	5,429

Net deferred tax assets break down as follows:

TEUR	2012	2011
Deferred tax assets	254,841	218,850
Deferred tax liabilities	279,299	214,762
Total	-24,458	4,088

Net deferred tax assets resulted from the following items on the balance sheet:

TEUR	2012	2011
Impairment allowance balance	7,945	9,217
Property and equipment	2,096	0
Other assets	35,761	43,172
Provisions	26,639	11,685
Trading liabilities	53,274	43,237
Financial liabilities – designated at fair value through profit or loss	115,770	84,500
Other liabilities	7,685	8,765
Tax loss carryforwards and impairments to equity investments	5,671	18,274
Deferred tax assets	254,841	218,850
Trading assets	75,486	48,942
Financial assets – designated at fair value through profit or loss	12,619	2,328
Financial assets – available for sale	18,409	6,797
Other assets	140,640	113,415
Trading liabilities	0	18
Provisions	2,223	1,542
Other liabilities	29,922	41,720
Deferred tax liabilities	279,299	214,762
Net deferred tax assets	-24,458	4,088

Deferred taxes on tax loss carryforwards and impairments to equity investments were determined on the basis of a five year forecast period. Assets in the amount of TEUR 105,163 (2011: TEUR 77,792) arising from currently unused tax loss carryforwards and impairments to equity investments were not capitalised in the consolidated financial statements because, from the present perspective, it seems unlikely that it will be possible to realise them within the forecast period of five years.

In connection with companies accounted for using the equity method, the amount of deferred taxes on temporary differences for which, pursuant to IAS 12.39, no deferred tax liabilities need to be recognised in the balance sheet stood at TEUR 217,122 (2011: TEUR 206,107).

27 OTHER LIABILITIES

TEUR	2012	2011
Tax liabilities	5,229	4,994
Negative fair values of derivatives in the banking book (dirty price)	35,587	39,675
Other liabilities	112,111	115,539
Total	152,927	160,208

Breakdown of negative fair values of derivatives in the banking book:

This item represents the negative fair values of derivative financial instruments not held for trading.

TEUR	2012	2011
Negative fair values from interest rate transactions	32,104	35,387
Negative fair values from exchange rate transactions	3,360	1,873
Negative fair values from equity and index contracts	0	778
Negative fair values from credit derivatives	123	1,637
Total	35,587	39,675

Breakdown of other liabilities:

TEUR	2012	2011
Accruals and deferred items	9,635	10,901
Clearing items	31,658	58,806
Sundry liabilities	70,818	45,832
Total	112,111	115,539

28 EQUITY

TEUR	2012	2011
Attributable to equity holders of the parent	1,351,408	1,258,709
Subscribed Capital	135,297	135,297
Capital reserves	409,380	409,380
Retained earnings	813,963	640,305
of which AFS reserve	93,245	16,870
Consolidated net profit/loss for the year	-7,232	73,727
Equity attributable to non-controlling interests	92,327	90,519
Total	1,443,735	1,349,228

As in the previous year, the subscribed capital (share capital) of RLB Steiermark consists of 2,617,837 registered no-par shares with a nominal value of TEUR 120,000. Beyond this, the nominal amount of the 2001 issue of non-voting, non-ownership capital is shown under this item at an amount of TEUR 15,297.

The Managing Board proposes to distribute from the net profit of Raiffeisen-Landesbank Steiermark AG, which amounts to EUR 9,981,217.12, a dividend of EUR 3.17 per share on the share capital of EUR 120,000,000.00, which is subdivided into 2,617,837 registered no-par shares, i.e. a total dividend of EUR 8,298,543.29, and an amount of EUR 1,682,673.83 for the arithmetic nominal value of EUR 15,297,035.00 to the subscribers of non-voting, non-ownership capital, which corresponds to an interest yield of 11%.

NOTES TO FINANCIAL INSTRUMENTS

29 MAXIMUM EXPOSURE TO CREDIT RISK PURSUANT TO IFRS 7.36 A

TEUR	2012	2011
Cash and balances with central banks	175,081	259,271
Loans and receivables at amortised cost (less impairment allowances)	7,866,803	7,755,759
Trading assets	2,097,802	1,728,932
Financial assets – designated at fair value through profit or loss	1,005,239	863,668
Financial assets – available for sale	1,620,530	1,693,488
Tax assets	14,415	29,244
Other assets	670,153	556,085
Balance	13,450,023	12,886,447
Contingent liabilities	334,178	326,121
Commitments	1,022,629	1,070,493
Balance	1,356,807	1,396,614
Total	14,806,830	14,283,061

30 BREAKDOWN OF TERMS TO MATURITY

The term to maturity is the period between the balance sheet date and the contractually agreed maturity of the respective receivable or liability.

The following table provides a breakdown of receivables and liabilities by their final maturity or call date. Due to the intention to trade, items held for trading were recognised with a maximum term to maturity of three months. Financial assets and liabilities measured at fair value were assigned to the individual maturity bands according to their contractually agreed maturity. Equity instruments were allocated to the “on demand/no specific term” maturity band.

Breakdown of terms to maturity at 31.12.2012:

Receivables	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over	Total
Loans and receivables at amortised cost	1,707,041	332,563	537,371	2,166,488	3,495,666	8,239,129
Trading assets	16	2,097,786	0	0	0	2,097,802
Financial assets – designated at fair value through profit or loss	181,960	35,142	151,118	242,224	401,611	1,012,055
Financial assets – available for sale	172,797	113,316	104,853	892,700	466,715	1,750,381
Other assets ¹	0	1,589	3,309	150,121	409,908	564,927

Liabilities	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over	Total
Financial liabilities at amortised cost	4,986,464	147,439	278,779	772,222	796,574	6,981,478
Trading liabilities	0	687,805	0	0	0	687,805
Financial liabilities – designated at fair value through profit or loss	0	290,752	155,149	2,623,942	2,555,995	5,625,838
Other liabilities ¹	0	1,366	2,905	5,890	25,426	35,587

¹ Derivatives (not held for trading).

Breakdown of terms to maturity at 31.12.2011:

Receivables	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over	Total
Loans and receivables at amortised cost	1,650,959	345,419	542,666	1,932,324	3,565,600	8,036,968
Trading assets	6	1,728,926	0	0	0	1,728,932
Financial assets – designated at fair value through profit or loss	184,782	1,452	38,101	394,326	256,694	875,355
Financial assets – available for sale	179,024	48,706	185,687	930,381	538,421	1,882,219
Other assets ¹	0	1,275	10,134	71,713	367,143	450,265

Liabilities	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over	Total
Financial liabilities at amortised cost	4,361,944	187,012	272,947	745,297	940,550	6,507,750
Trading liabilities	0	920,027	0	0	0	920,027
Financial liabilities – designated at fair value through profit or loss	0	42,511	393,265	2,062,498	2,919,348	5,417,622
Other liabilities ¹	0	212	2,304	13,885	23,274	39,675

¹ Derivatives (not held for trading).

31 DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present the derivative financial transactions outstanding at the balance sheet date, broken down by term to maturity.

Derivative financial products not held for trading (banking book) at 31.12.2012:

TEUR	Nominal amounts – term to maturity				Fair value	
	Up to 1 Year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	223,999	1,592,527	2,159,380	3,975,906	548,638	30,659
Interest rate options – calls	0	43,200	15,223	58,423	1,324	0
Interest rate options – puts	650	69,469	58,012	128,131	0	1,445
Total	224,649	1,705,196	2,232,615	4,162,460	549,962	32,104
Exchange-traded products						
Interest rate futures	25,573	0	0	25,573	40	109
Foreign exchange forwards						
OTC products						
Currency spots/forwards	47,729	0	0	47,729	1,187	75
Cross currency interest rate swaps/cross currency swaps	0	144,971	249,118	394,089	14,917	10,782
Total	47,729	144,971	249,118	441,818	16,104	10,857
Other forward transactions						
OTC products						
Credit derivatives	14,300	15,158	87,115	116,573	802	779
Other	0	0	0	0	0	0
Total	14,300	15,158	87,115	116,573	802	779
Aggregate total	312,251	1,865,325	2,568,848	4,746,424	566,908	43,849

In the 2011 financial year, credit default swaps (CDS) were held in connection with the governments of Spain and Italy at a nominal value of TEUR 10,000 each and a negative fair value totalling TEUR 896. These were terminated early in the current financial year.

Derivative financial products not held for trading (banking book) at 31.12.2011:

TEUR	Nominal amounts – term to maturity				Fair value	
	Up to 1 Year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	344,827	1,365,912	2,419,674	4,130,413	429,603	33,949
Interest rate options – calls	0	18,289	35,120	53,409	660	0
Interest rate options – puts	0	31,124	82,429	113,553	0	1,591
Total	344,827	1,415,325	2,537,223	4,297,375	430,263	35,540
Foreign exchange forwards						
OTC products						
Currency spots/forwards	39,353	1,198	0	40,551	491	576
Cross currency interest rate swaps/cross currency swaps	0	40,375	51,297	91,672	19,545	1,737
Total	39,353	41,573	51,297	132,223	20,036	2,313
Other forward transactions						
OTC products						
Credit derivatives	0	49,757	80,134	129,891	156	2,416
Other	9,994	0	0	9,994	0	778
Total	9,994	49,757	80,134	139,885	156	3,194
Aggregate total	394,174	1,506,655	2,668,654	4,569,483	450,455	41,047

Derivative financial products held for trading (trading book) at 31.12.2012:

TEUR	Nominal amounts – term to maturity				Fair value	
	Up to 1 Year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	885,144	4,144,396	2,610,351	7,639,891	318,730	219,561
Interest rate options – calls	5,000	287,385	429,052	721,437	21,741	0
Interest rate options – puts	13,631	230,857	316,225	560,713	0	6,930
Total	903,775	4,662,638	3,355,628	8,922,041	340,471	226,491
Foreign exchange forwards						
OTC products						
Currency spots/forwards	7,709	887	0	8,596	83	288
Cross currency interest rate swaps/cross currency swaps	471,164	31,008	15,033	517,205	7,493	8,313
Currency options – calls	598	0	0	598	0	0
Currency options – puts	598	0	0	598	0	0
Total	480,069	31,895	15,033	526,997	7,576	8,601
Aggregate total	1,383,844	4,694,533	3,370,661	9,449,038	348,047	235,092

Derivative financial products held for trading (trading book) at 31.12.2011:

TEUR	Nominal amounts – term to maturity				Fair value	
	Up to 1 Year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	911,200	3,126,746	2,634,263	6,672,209	216,125	133,174
Interest rate options – calls	0	161,786	461,131	622,917	19,778	0
Interest rate options – puts	6,250	152,938	348,094	507,282	0	6,765
Forward rate agreements	100,000	0	0	100,000	0	8
Total	1,017,450	3,441,470	3,443,488	7,902,408	235,903	139,947
Foreign exchange forwards						
OTC products						
Currency spots/forwards	10,709	1,000	0	11,709	185	550
Cross currency interest rate swaps/cross currency swaps	430,040	347,745	15,032	792,817	494	52,759
Currency options – calls	0	0	0	0	0	0
Currency options – puts	0	0	0	0	0	0
Total	440,749	348,745	15,032	804,526	679	53,309
Aggregate total	1,458,199	3,790,215	3,458,520	8,706,934	236,582	193,256

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount at which financial instruments can be bought or sold between knowledgeable, willing parties in an arm's length transaction.

The fair value of certain financial instruments, accounted for at nominal values, corresponds very closely to the carrying amount. This applies to cash and balances with central banks as well as receivables and liabilities that have no defined maturity or fixed interest rate.

Regarding the remaining receivables and liabilities, the anticipated future cash flows are discounted at current interest rates considering the respective spreads and costs of equity. Where loans and advances to customers are concerned, the spread to be considered is determined on the basis of the expected loss parameters under Basel II.

Exchange-traded securities and derivatives are recognised at quoted market prices. For the remaining securities, the fair value is stated as the present value of the future cash flows.

The fair value of cross currency and cross currency interest rate swaps as well as forward rate agreements is determined on the basis of discounted cash flows. Here, the market interest rates applicable for the term to maturity are used.

The fair value of currency forwards is determined on the basis of the prevailing forward rates for their respective maturities. Options are measured at market prices or using recognised models for determining option prices. For simple European options and interest rate instruments, the established Black & Scholes models are used as valuation models.

Investments in associates are measured at equity, provided they are not of minor importance. Investments in unconsolidated subsidiaries and other equity investments are principally recognised at amortised cost, as the fair value cannot be determined reliably. Listed investments are measured at fair value.

Where financial guarantees and irrevocable credit commitments are concerned, the carrying amount corresponds to the fair value.

The following table presents the fair values by balance sheet position:

TEUR	2012		2011	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and balances with central banks	193,546	193,546	277,216	277,216
Loans and receivables at amortised cost ¹⁾	8,243,620	7,866,803	7,646,278	7,755,759
Trading assets	2,097,802	2,097,802	1,728,932	1,728,932
Financial assets – designated at fair value through profit or loss	1,012,055	1,012,055	875,355	875,355
Financial assets – available for sale ³⁾	1,629,180	1,629,180	1,704,098	1,704,098
Other assets ²⁾	564,927	564,927	450,265	450,265
Liabilities				
Financial liabilities at amortised cost	7,017,045	6,981,478	6,532,255	6,507,750
Trading liabilities	687,805	687,805	920,027	920,027
Financial liabilities – designated at fair value through profit or loss	5,625,838	5,625,838	5,417,622	5,417,622
Other liabilities ²⁾	35,587	35,587	39,675	39,675

¹⁾ Figures after consideration of impairment allowances.

²⁾ Derivatives (not held for trading).

³⁾ Not including equity investments and investments in subsidiaries measured at amortised cost.

33 FAIR VALUE HIERARCHY

The fair value hierarchy presents the financial instruments whose subsequent measurement is undertaken at fair value. These financial instruments are assigned to one of levels 1 to 3, depending on the extent to which the fair value is observable:

- Quoted prices in active markets (Level 1): This category contains equity instruments and debt instruments listed on stock exchanges. The fair value of these financial instruments is determined on the basis of quoted prices.
- Inputs based on market observables (Level 2): This category comprises assets and liabilities whose valuation is derived from directly or indirectly observable input data. In particular, most OTC derivatives and interbank funds in the trading portfolio and liabilities evidenced by certificates are shown here.
- Inputs based on relevant, unobservable parameters (Level 3): The financial instruments in this category feature input parameters that are not observable and have a more than immaterial effect on the fair value of an instrument. Essentially, this category contains complex OTC derivatives and asset backed securities.

For some of the Level 3 financial instruments, identical and similar compensatory positions exist with regard to the unobservable inputs. The IFRS provisions require that assets and liabilities must be reported on a gross basis. Some financial instruments in the Level 3 category are hedged with Level 2 category instruments.

No financial instruments have been transferred between Levels 1 and 2 of the fair value hierarchy.

Fair value hierarchy of financial assets and liabilities measured at fair value:

	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Trading assets						
Bonds and other fixed-income securities, loans and receivables	0	1,749,752	0	0	1,492,332	0
Positive fair values of derivative contracts	0	348,050	0	0	236,600	0
Financial assets – designated at fair value through profit or loss	580,313	386,869	44,873	460,848	369,112	45,395
Other assets (positive fair values of derivative contracts)	0	532,491	32,436	0	423,214	27,051
Financial assets – available for sale	1,396,389	180,831	51,960	1,502,435	198,669	2,995
Total	1,976,702	3,197,993	129,269	1,963,283	2,719,926	75,441
Financial liabilities						
Trading liabilities						
Deposits from banks	0	445,250	0	0	726,439	0
Negative fair values of derivative contracts	0	242,555	0	0	193,288	300
Financial liabilities – designated at fair value through profit or loss	2,005,154	3,474,748	145,936	2,032,262	3,246,635	138,725
Other liabilities (negative fair values of derivative contracts)	0	16,433	19,154	0	24,520	15,155
Total	2,005,154	4,178,986	165,090	2,032,262	4,190,882	154,180

Reconciliation to Level 3 financial instruments:

	Balance at 1 January	Recorded in the income statement ¹	Recorded in other comprehensive income	Additions	Withdrawals	Transfers to other levels	Balance at 31 December
Financial assets							
Financial assets – designated at fair value through profit or loss	45,395	64	0	1,054	-1,640	0	44,873
Other assets (positive fair values of derivative contracts)	27,051	5,568	0	9,684	-9,867	0	32,436
Financial assets – available for sale	2,995	-3	0	49,193	-225	0	51,960
Total	75,441	5,629	0	59,931	-11,732	0	129,269
Financial liabilities							
Trading liabilities (negative fair values of derivative contracts)	300	0	0	239	-239	-300	0
Financial liabilities – designated at fair value through profit or loss	138,725	-4,207	0	32,356	-20,938	0	145,936
Other liabilities (negative fair values of derivative contracts)	15,155	4,183	0	7,157	-7,341	0	19,154
Total	154,180	-24	0	39,752	-28,518	-300	165,090

¹ In the case of assets, positive amounts represent gains and negative amounts represent losses. Where liabilities are concerned, positive amounts represent losses and negative amounts represent gains.

Level 3 instruments may be reclassified as Level 2 on the basis of the observability of the input parameters used for the fair value calculation. Directly observable price and market information is used for the measurement of these instruments.

GAINS AND LOSSES FROM LEVEL 3 FINANCIAL INSTRUMENTS HELD AT THE BALANCE SHEET DATE

In accordance with the provisions of IFRS 7, the following table only presents gains and losses related to Level 3 instruments held at the balance sheet date...

TEUR	2012	2011
Financial assets measured at fair value		
Financial assets – designated at fair value through profit or loss	64	737
Other assets (positive fair values of derivative contracts)	5,568	19,417
Financial assets – available for sale	0	64
Total	5,632	20,218
Financial liabilities measured at fair value		
Trading liabilities (securities carried in the trading portfolio)	0	-95
Financial liabilities – designated at fair value through profit or loss	4,207	-8,869
Other liabilities (negative fair values of derivative contracts)	-4,183	-13,316
Total	24	-22,280
Aggregate total	5,656	-2,062

The compensatory gains and losses recorded relative to the corresponding hedging transactions are not reflected in the above table. Pursuant to IFRS 7, these only include gains and losses that result from the original Level 3 instruments.

SENSITIVITY ANALYSIS

Interest rate sensitivity and spread sensitivity were used for the sensitivity analysis. Assuming that there is a parallel shift of 200 basis points in the interest rate curve and that the credit spread per rating category widens uniformly by 200 basis points, the total risk from Level 3 instruments amounts to TEUR 7,355 (2011: TEUR 9,040).

RISK REPORT

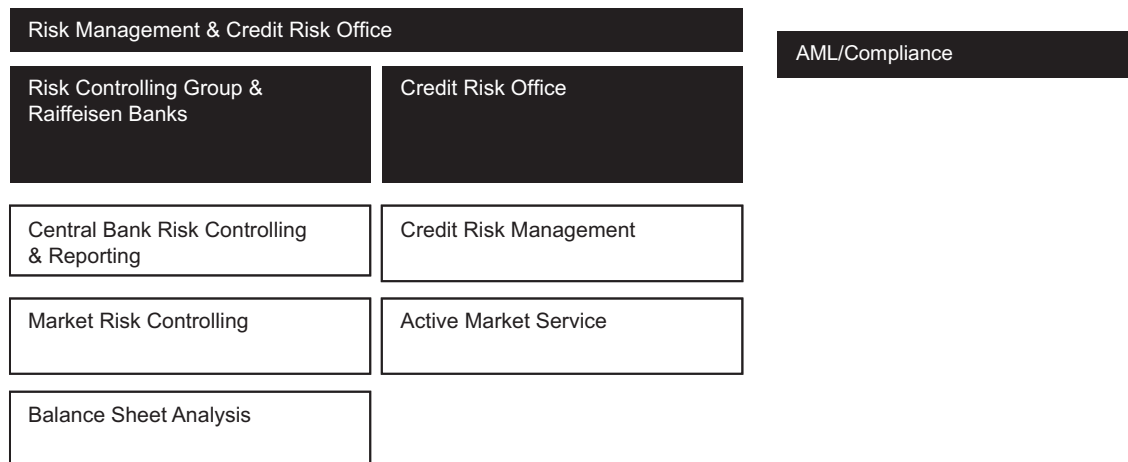
STRUCTURE OF THE RISK MANAGEMENT SYSTEM

Among the most important factors in successful banking is a bank's ability to recognise the opportunities and risks that result from its business operations and to maintain a sustained positive profit position based on a differentiated risk measurement strategy that considers its capital resources through suitable control, management and monitoring procedures.

Professional risk management is one of the core tasks of the RLB Steiermark Group and constitutes an essential component of its success. In the context of the RLB Steiermark Group's risk management system, all significant risks must be identified, measured, monitored and controlled.

Overall responsibility for the entire area of risk control is borne by the Managing Board. The Managing Board and the Supervisory Board authorise and formulate operational parameters on the basis of the overall risk strategy and risk principles. Such operational parameters thus represent an integral part of the organisation's central management procedures.

Risk Controlling both to the Managing Board and the Supervisory Board on a near real-time basis.



The RLB Steiermark Group's risk management activities are based on clear responsibilities. Risk Controlling subsumes all of the organisational rules and measures for identifying and dealing with the risks of business operations, with the exception of problem loan management. Risk management is centralised under the direct leadership of the Managing Board member responsible for risk, under whom all organisational units concerned with the identification, recording, assessment and analysis of risk (except problem loan management) are combined. The management of problematic loans is assigned to another Managing Board member who is responsible for a non-front office function. Risks are identified, measured and controlled in the "Risk Management and Credit Risk Office" department in cooperation with the corresponding organisational units. In addition, Risk Controlling is responsible for developing and supplying the processes used for risk measurement and the necessary IT systems. Furthermore, it is the responsibility of Risk Controlling to prepare the necessary financial performance and risk information required to maintain a proactive risk control system.

The structure of the risk management system is designed to support the competent specialists and independent functionality of their processes and systems. The organisation ensures that employees entrusted with the management of risk are able to act independently within their area of responsibility.

The risk controlling structures have been designed to ensure that key risks faced by the bank (i.e. credit risk, investment risk, market price risk, liquidity risk, operational and other risks) can be identified, measured and controlled.

Efficient risk management and control is the responsibility of two committees: the Group Risk Committee (*Konzernrisiko-Komitee*) and the Operational Bank Risk Steering Committee (*operatives Gesamtbankrisiko-Steuerungskomitee*).

The Group Risk Committee acts as an instrument of the Managing Board for the Group-wide implementation of risk/return management policies. In particular, the committee conceives, implements and monitors the administrative, accounting and control procedures the Group has at its disposal for the recording, assessment, control and monitoring of operational and other banking risks. In that context, special attention is also paid to future changes in risk exposure, including unexpected risks or events that do not correspond to past experience.

The risk situation of the bank is analysed monthly by the Operational Bank Risk Steering Committee, with appropriate control and management measures being taken as needed.

The objective of risk control is balanced growth in all business segments, sustainable revenue generation and the greatest possible limitation of risks in order to strengthen the organisation's equity funds.

The focus of the risk portfolio is geared towards the following strategic framework:

The assumption of risks should not endanger the substance of the bank; i.e. the bank's risk-bearing capacity and the generation of positive results must be ensured.

Risks are seen as opportunities to generate revenues.

The assessment of risks and determination of the bank's risk-bearing capacity are undertaken using systems, methods and procedures approved by the Managing Board.

The resultant risks are analysed adequately before new types of products/services are implemented. To this end, a standardised and clearly defined product introduction process has been instituted.

The categories required pursuant to IFRS 7.6 are defined as follows:

- Cash and balances with central banks
- Loans and receivables at amortised cost
- Trading assets
- Financial assets – designated at fair value through profit or loss
- Financial assets – available for sale (measured at fair value/measured at cost);
- Financial liabilities at amortised cost
- Trading liabilities
- Financial liabilities – designated at fair value through profit or loss

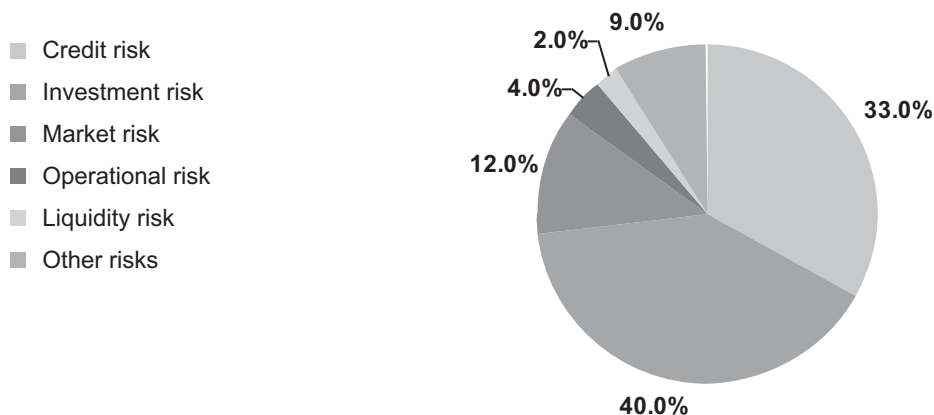
Because the risk report is based on the internal risk management strategy, the quantitative information that accords with IFRS 7 regarding the types of risk associated with financial instruments is based on exposure values. Those values may differ from the balance sheet values.

The maximum exposure to credit risk pursuant to IFRS 7.36 a (note 29) corresponds to the carrying amount of the financial instruments that entail risk. In the case of financial guarantees and credit commitments, it corresponds to the nominal amount of the guarantee or the amount of the as yet unused credit commitment.

AGGREGATE BANK RISK

Credit risk, investment risk, market price risk, operational risk, liquidity risk and other risks have been identified as significant types of risk. Other risks include macroeconomic risk and a buffer for non-quantifiable risks. Individual risks are aggregated to form an aggregate bank risk position, which is comprised of the following components:

SHARE OF INDIVIDUAL RISKS IN THE AGGREGATE RISK POSITION



The aggregate risk situation is assessed on the basis of the risk-bearing capacity analysis.

To safeguard against risk, a risk cover fund is available that matches the aggregate risk position. The risk-bearing capacity analysis provides information about how much additional risk can be tolerated and/or whether high risk activities should be reduced. The values for the risk-bearing capacity analysis are presented in two scenarios: first, on the basis of a 95% confidence interval from a going concern perspective and second, on the basis of a 99.9% confidence interval in the extreme case scenario. While the going concern approach aims at continuing to fulfil the regulatory minimum capital requirements (even in the event of total consumption of the covering assets), the extreme case scenario aims to ensure that in the event of a “notional liquidation” the creditors will be completely satisfied. Unless otherwise stated in the risk report, all data are based on the extreme case scenario.

In an effort to limit risks, an overall bank limit, broken down into individual risk types, is approved by the Managing and Supervisory Boards. Alongside the overall bank limit, the credit, investment, market price and liquidity risks are also limited.

Risk Controlling analyses the risks illustrated and, by conducting regular target-actual comparisons, monitors compliance with the defined risk limits.

The monthly risk-bearing capacity analysis is the central instrument through which all risk-related aspects come together and are presented. Using this analysis, appropriate activities are implemented to control the aggregate bank risk.

As a general principle, the RLB Steiermark Group only targets business segments in which it has gained appropriate experience in assessing the specific risks. Adopting new business segments or products is subject to an adequate analysis of the business-specific risks. That analysis is undertaken using a standardised product introduction process.

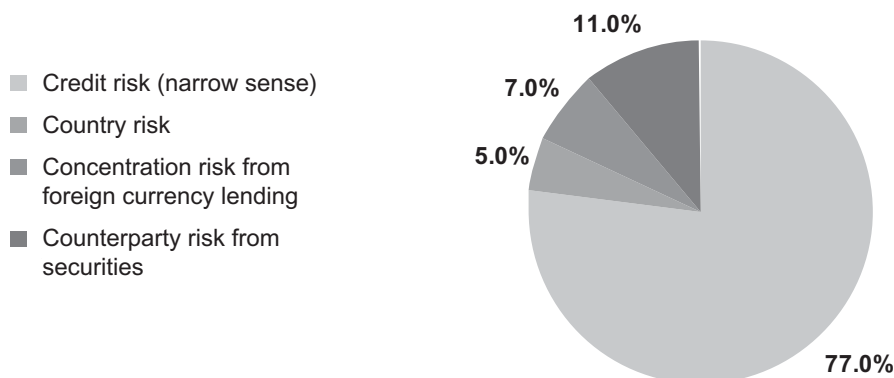
The framework for managing and controlling risks is provided by the operational parameters of the risk strategy that have been approved by the Supervisory and Managing Boards and which are defined in the risk manual. All risk-related information is summarised in a central database which is accessible to every employee. The information contained in that database must be duly taken into account by all staff members.

Internal Auditing and Group Auditing check the effectiveness of the workflows, processes and controls in the context of the Group's risk management structure.

CREDIT RISK

In addition to the credit (default) risk in the narrow sense of the term, credit risk also includes the concentration risk from foreign currency lending, the counterparty risk from securities, and the country risk.

SHARE OF INDIVIDUAL RISKS IN CREDIT RISK



Credit risk is the result of possible losses that arise due to a lack of creditworthiness or a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures).

Credit risk thus describes the Group's risk of incurring losses resulting from a customer's failure to make payments under that customer's contractual obligations.

Credit risk is monitored and analysed loan-by-loan for individual customers and on a portfolio basis. This analysis enables an assessment of the extent of the risk and the necessary measures to limit it. Operational parameters such as limits at portfolio level, borrower level and product level are defined in order to control credit risk.

Credit risk is measured at overall portfolio level using the regulatory indicators "expected loss" and "unexpected loss". The maximum loss that can be incurred within one year which, with a certain level of probability (95%, 99.9%), will not be exceeded, is calculated. Responsibility for this task falls to the organisational unit responsible for aggregate bank risk controlling and reporting. All risk-related reporting is also prepared by this unit.

The operational risk strategy parameters approved by the Supervisory and Managing Boards form the basis for credit risk control and credit decisions. The principles for approving credit applications are documented in writing in the operational parameters and in the credit risk manual within the Group's risk management database.

Credit risk is assessed by the organisational unit responsible for credit risk management. This is done by checking the individual exposure when a credit application is made. The tasks of Credit Risk Management include preparing second opinions, checking and releasing rating classifications, and assessing collateral. The regular monitoring of credit exposures and updating of ratings, as well as the early identification and processing of credit risks, are among the tasks dealt with in a structured manner by using appropriate systems. Development of the rating system is also the responsibility of this organisational unit.

Open positions¹⁾ are an important tool for controlling and measuring credit risk. Another key factor is reviewing the relevant credit rating. In the context of a rating, financing arrangements are assigned to different categories on the basis of creditworthiness and risk level. The principles for assessing customers' creditworthiness are contained in the credit risk manual. The rating systems are validated and enhanced on an ongoing basis.

The RLB Steiermark Group uses the following rating classes for its internal rating processes:

Standard & Poor's	Moody's	Raiffeisen Rating Scale	Description
AAA	Aaa	0.5	No risk
AA+ to AA-	Aa1 to Aa3	1.0	Excellent credit standing
A+ to A-	A1 to A2	1.5	Very good credit standing
BBB+ to BBB	Baa1 to Baa2	2.0	Good credit standing
BBB- to BB+	Baa3 to Ba1	2.5	Average risk
BB to BB-	Ba2 to Ba3	3.0	Mediocre credit standing
B+ to B	B1 to B2	3.5	Weak credit standing
B-	B3	4.0	Very weak credit standing
CCC+ to C	Caa1 to C	4.5	Potential default risk/sub-standard
D	D	5.0	Default
		5.1	
		5.2	

¹⁾ Open position = exposure less collateral less impairment.

When assessing a borrower's credit rating, both the economic situation (rating classification) and the collateral furnished are taken into account. This categorisation makes it possible to determine and limit risk concentrations.

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES BY RATING CATEGORIES AT 31.12.2012

Exposure 2012 (TEUR)				
Rating categories	Unrated	Rating – Moody's (Aaa to B2)*	Rating – Moody's (B3 to D)*	Balance
Loans and receivables at amortised cost	2,101	7,822,659	849,746	8,674,506
Loans and advances to customers	1,890	5,745,887	844,871	6,592,648
Loans and advances to other banks	211	2,076,772	4,875	2,081,858
Trading assets	0	1,749,752	0	1,749,752
Total	2,101	9,572,411	849,746	10,424,258

* Raiffeisen ratings matched to Moody's.

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES (EXCLUDING SECURITIES) BY SELECTED COUNTRIES AT 31.12.2012

Exposure 2012 (TEUR)		
Country	Loans and advances to other banks	Loans and advances to customers
Bosnia-Herzegovina	4,875	367
France	2,800	3,001
Greece	0	103
Italy	609	1,027
Croatia	4,000	131,967
Republic of Ireland	0	28
Romania	121	30,741
Slovenia	833	39,823
Spain	0	269
Hungary	0	12,877
Cyprus	0	7,713

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES BY RATING CATEGORIES AT 31.12.2011

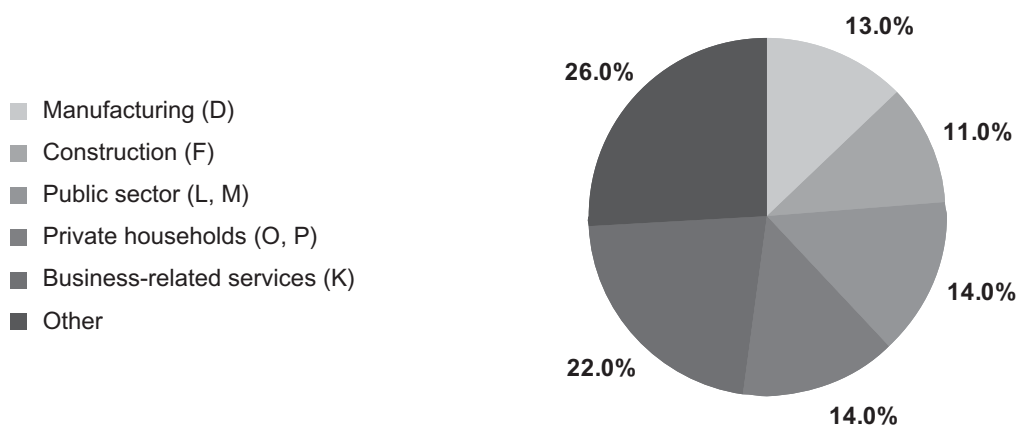
Exposure 2011 (TEUR)				
Rating categories	Unrated	Rating – Moody's (Aaa to B2)*	Rating – Moody's (B3 to D)*	Balance
Loans and receivables at amortised cost	12,850	8,533,872	903,831	9,450,553
Loans and advances to customers	12,848	6,494,341	896,947	7,404,136
Loans and advances to other banks	2	2,039,531	6,884	2,046,417
Trading assets	0	1,488,826	0	1,488,826
Total	12,850	10,022,698	903,831	10,939,379

* Raiffeisen ratings matched to Moody's.

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES (EXCLUDING SECURITIES) BY SELECTED COUNTRIES AT 31.12.2011

Exposure 2011 (TEUR)		
Country	Loans and advances to other banks	Loans and advances to customers
Bosnia-Herzegovina	6,522	920
France	12,800	3,003
Greece	0	103
Italy	114	57,449
Croatia	8,005	126,844
Portugal	0	2
Republic of Ireland	0	28
Romania	0	32,965
Slovenia	4,538	41,896
Spain	0	1,331
Hungary	0	13,363
Cyprus	0	7,798

SECTOR DISTRIBUTION OF CUSTOMER LENDING BUSINESS BY EXPOSURE (TOP 5)



A system of credit limits is in place to limit cluster risk. Any concentrations in specific economic sectors are constantly monitored and analysed. Where necessary, measures are implemented to counteract them.

DISTRIBUTION OF COLLATERAL VALUES BY RATING CATEGORIES AT 31.12.2012

Rating categories	Exposure 2012 (TEUR)			Balance
	Unrated	Rating – Moody's (Aaa to B2)*	Rating – Moody's (B3 to D)*	
Loans and receivables at amortised cost	129	3,191,614	331,016	3,522,759
Loans and advances to customers	129	2,597,979	331,016	2,929,124
Loans and advances to other banks	0	593,635	0	593,635
Trading assets	0	0	0	0
Total	129	3,191,614	331,016	3,522,759

* Raiffeisen ratings matched to Moody's.

DISTRIBUTION OF COLLATERAL VALUES BY RATING CATEGORIES AT 31.12.2011

Exposure 2011 (TEUR)				
Rating categories	Unrated	Rating – Moody's (Aaa to B2)*	Rating – Moody's (B3 to D)*	Balance
Loans and receivables at amortised cost	424	2,446,317	381,854	2,828,595
Loans and advances to customers	424	2,351,097	381,543	2,733,064
Loans and advances to other banks	0	95,220	311	95,531
Trading assets	0	0	0	0
Total	424	2,446,317	381,854	2,828,595

* Raiffeisen ratings matched to Moody's.

Collateral is rated and managed according to the existing statutory specifications and internal regulations. A standard policy framework is in place that addresses the rating and management of collateral provided by customers and other credit enhancements and applies for the entire credit sector. The collateral manual lists every type of collateral accepted by the RLB Steiermark Group. Conservative discount factors are defined for each type of collateral. The collateral is subdivided into three categories, which distinguish between:

- collateral for immovable assets (land register)
- collateral for moveable assets/rights
- Assumptions of liability/guarantees/warranties in written form In addition to guarantees within the context of public funding bodies, private guarantors (whose creditworthiness is checked with due diligence and care) are also used to minimise credit risk.

Economic risks are covered by the collection of data regarding banking collateral and its evaluation. Subject to the credit rating of the counterparty and the amount of the exposure, minimum requirements must be met for the acceptance of collateral. The collateral valuation proposal is drawn up and documented by the account manager and checked by the credit risk manager. Periodic valuation guidelines have been set according to the type of collateral. Ultimate responsibility for the valuation of collateral rests with the credit risk manager.

In the case of doubtful debts (i.e. if the debt interest and principal payments appear to be fully or partly at risk), an impairment allowance equivalent to the amount of the prospective loss must be created. Risk is identified through early warning systems. Once it has been established that an impairment allowance is required, the reasons for the

impairment are recorded and the debtor's income and asset situation is set out, along with conclusive evidence of how the impairment amount was calculated.

According to IAS 39.59 (c), concessions granted by the lender to the borrower for economic or legal reasons relating to financial difficulties experienced by the borrower, which would not otherwise have been granted, represent an objective indication for the impairment of a financial asset.

In the case of debts of this kind, an adjustment may be made to the debtor's obligations within the framework of the existing credit agreement to prevent a default (e.g. exemption from interest, extension agreements for principal and/or interest payments, deferral of repayment).

In this regard, the internal rating provisions of the RLB Steiermark Group stipulate that in the event of "restructuring on the basis of credit standing", the customer must be assigned a rating of 4.5 (= worst credit rating before default).

If a customer is granted an exemption from interest payments, that customer is assigned to a default rating category. In such cases, customers are always categorised as part of the restructuring/recovery portfolio. As a general rule, such customers are managed by the "Problematic Loan Management" (PLM) department.

PLM draws up a restructuring plan which outlines the relevant changes to the financing structure, including exemptions from interest/principal payments and repayment extensions. In the context of recovery controlling, compliance with the contractual obligations of the restructuring plan is assessed and monitored.

Due to the existence of an objective indication of impairment, loans for which such adjustments to the customer's obligations have been made are also subject to impairment testing and may result in impairment charges where required.

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES BY DAYS OVERDUE AT 31.12.2012

Exposure 2012 (TEUR)							
Categories	Balance	Unimpaired*	Specific impairment charge recognised	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	8,674,506	7,686,258	466,917	456,985	21,143	17,124	26,079
of which subject to specific impairment charge			341,003				
Loans and advances to customers	6,592,648	5,604,400	466,917	456,985	21,143	17,124	26,079
of which subject to specific impairment charge			341,003				
Loans and advances to other banks	2,081,858	2,081,858	0	0	0	0	0
Trading assets	1,749,752	1,749,752	0	0	0	0	0
Total	10,424,258	9,436,010	466,917	456,985	21,143	17,124	26,079

* Not subject to specific impairment charges or past due.

** Amount of receivable without deduction of collateral.

In the 2012 financial year, the presentation was changed, such that receivables are now shown at their gross amounts in the column "Specific impairment charge recognised". In the previous year, only the impaired part of the receivable was shown under this item. The remaining part of the gross receivable was allocated to the individual age bands, depending on the number of days of overdue, or shown in the column "Default – no specific impairment charge". The gross value of receivables subject to specific impairment was TEUR 394,374 in the previous year. Specific impairment charges were recognised for TEUR 249,573 of that amount.

For the most part, the exposure assigned to the category "Default – no specific impairment charge" is covered by collateral (see the table "Distribution of collateral by days past due" below).

DISTRIBUTION OF LENDING AND COUNTERPARTY VOLUMES BY DAYS OVERDUE AT 31.12.2011

Exposure 2011 (TEUR)							
Categories	Balance	Unimpaired*	Subject to specific impairment charge	1–30 days past due, not subject to specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	9,450,553	8,787,901	249,573	328,237	27,433	10,848	46,561
of which subject to specific impairment charge			249,573				
Loans and advances to customers	7,404,136	6,741,484	249,573	328,237	27,433	10,848	46,561
of which subject to specific impairment charge			249,573				
Loans and advances to other banks	2,046,417	2,046,417	0	0	0	0	0
Trading assets	1,488,826	1,488,826	0	0	0	0	0
Total	10,939,379	10,276,727	249,573	328,237	27,433	10,848	46,561

* Not subject to specific impairment charges or past due.

** Amount of receivable without deduction of collateral.

DISTRIBUTION OF COLLATERAL BY DAYS OVERDUE AT 31.12.2012

Exposure 2012 (TEUR)							
Categories	Balance	Unimpaired	Subject to specific impairment charge	1–30 days past due, not subject to specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	3,522,759	3,138,183	112,545	227,033	8,988	15,740	20,270
Loans and advances to customers	2,929,124	2,544,548	112,545	227,033	8,988	15,740	20,270
Loans and advances to other banks	593,635	593,635	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
Total	3,522,759	3,138,183	112,545	227,033	8,988	15,740	20,270

DISTRIBUTION OF COLLATERAL BY DAYS OVERDUE AT 31.12.2011

Exposure 2011 (TEUR)							
Categories	Balance	Unimpaired *	Subject to specific impairment charge	1–30 days past due, not subject to specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	2,828,595	2,566,872	67,848	137,132	4,524	2,491	49,728
Loans and advances to customers	2,733,064	2,471,341	67,848	137,132	4,524	2,491	49,728
Loans and advances to other banks	95,531	95,531	0	0	0	0	0
Trading assets	0	0	0	0	0	0	0
Total	2,828,595	2,566,872	67,848	137,132	4,524	2,491	49,728

The non-performing loans ratio (NPL ratio) of loans and advances to customers amounted to 7.6% in 2012 (2011: 2.1%). All loans and advances with a credit rating of 5.0 to 5.2 are defined as non-performing loans. Once a customer is more than 90 days late in making a payment or when a customer-related default criterion applies, the customer is classified as being in default and is assigned to default categories 5.0 to 5.2.

SPECIFIC IMPAIRMENTS BY BASEL II CUSTOMER SEGMENTS

Pursuant to Basel II, the share of the commercial customer segment in the specific impairment charges is 80.3%, while retail customers account for a share of 19.7%.

COUNTRY RISK

Country risk represents the risk of losses in value due to transfer/conversion restrictions/prohibitions or other sovereign measures implemented by the country of the borrower (transfer risk). The RLB Steiermark Group makes use of a country limit system to control this risk. To this end, a strategy for country risks is established annually for the RLB Steiermark Group and compared with actual developments throughout the year. The limit is based on the credit rating of the country in question and on the equity funds of the RLB Steiermark Group; the poorer the credit rating, the lower the limit.

OVERVIEW OF COUNTRY RISK BY RATING CATEGORIES

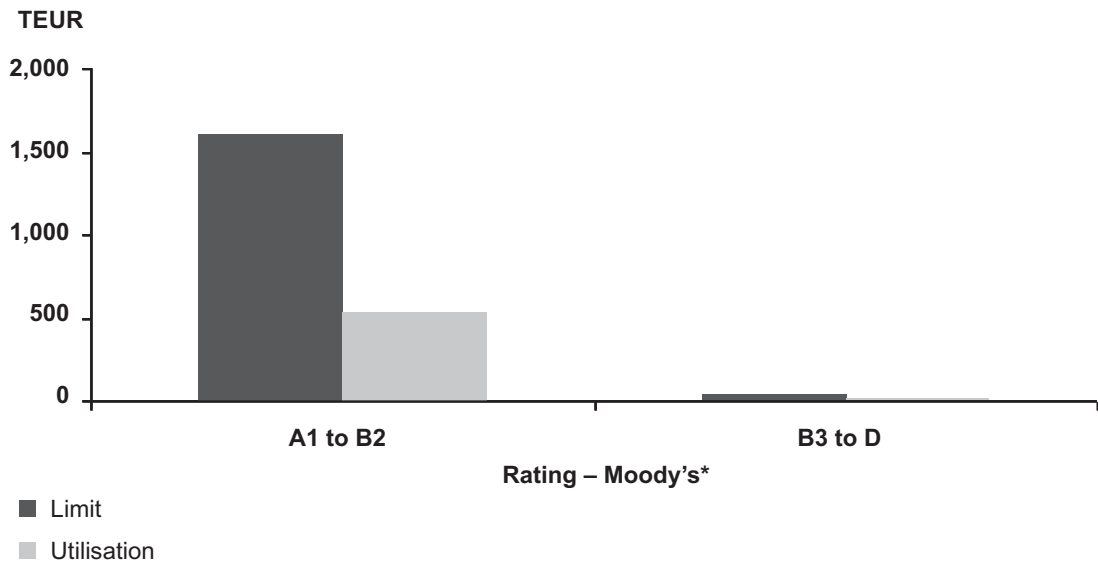
EUR million				
Rating – Moody's*	Current limit	Utilisation	Utilisation (%)	Measured country risk**
Aaa to Aa3	-	16,392.3	-	-
A1 to B2	1,600.5	527.2	32.9%	8.7
B3 to D	36.9	14.8	40.1%	1.2
Total of all countries (except Austria)		16,934.3		9.9

* Raiffeisen rating matched to Moody's.

** Going concern: 95% confidence level.

In extreme cases, the country risk is calculated on the basis of a 99.9% confidence level.

OVERVIEW OF COUNTRY LIMITS BY RATING CATEGORIES



* Raiffeisen ratings matched to Moody's.

132

An early warning system has been developed for the timely identification of countries for which market observations give rise to the assumption that the current credit rating is no longer plausible.

The country risk accounts for 5% of the total credit risk. Due to its scale, it is only of minor importance.

The country risk is considered within the context of the risk-bearing capacity through a credit rating-dependent risk premium for “cross border” risks.

CONCENTRATION RISK – FOREIGN CURRENCY LOANS

Through the appreciation of a currency's value in relation to the euro, the credit exposure (converted into euros) of a foreign currency loan increases, as does the loss potential, even if the customer's probability of default remains the same.

Possible additional default risks that arise through increased exposure due to currency fluctuations are recorded under concentration risk.

When calculating the risk inherent in foreign currency loans, an foreign currency premium is added to account for the additional risk assumed.

In the case of foreign currency loans, concentration risk as a proportion of the overall credit risk is 7%.

Based on a recommendation issued by the FMA, foreign currency loans are no longer extended to consumers. Furthermore, a downsizing plan is in place to reduce the foreign currency loan volume.

COUNTERPARTY RISK – SECURITIES

This type of counterparty risk describes the risk of a declining credit rating or default on the part of the counterparty in the case of securities.

Where securities are concerned, the counterparty risk represents only a small share of the overall credit risk.

The counterparty risk for securities accounts for 11% of the total credit risk.

DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives utilised within the RLB Steiermark Group are employed primarily to manage market price risks (especially interest rate change and currency risks) resulting from trading activities. Beyond this, they are also used to hedge positions in the context of the asset liability management process, and to manage credit risks arising in the context of credit derivatives.

Detailed information (nominal volumes and fair values) on derivative financial instruments can be found in note 31.

INVESTMENT RISK

The investment risk is comprised of the risk of potential losses in the event of disposals and lost dividends, and in the case of impairments due to declining credit ratings. Possible risks related to investments are identified by the Investment Management department, which reports to the division "Risk Controlling Group and Raiffeisen Banks". Investment risk is assessed on the basis of credit rating analyses and target-actual comparisons. Investments are rated on a ten-part scale.

Investment risk is determined on the basis of fair values and historical fluctuations of investments. These are subdivided into bank investments (sector investments) and non-bank investments, such as financing and industrial investments. Most of the investment risk results from sector investments.

MARKET PRICE RISK

Market price risk describes the risk that losses will be incurred due to changes in prices on financial markets for the bank's positions in the trading and banking book. Market price risks may arise in the form of interest rate change risk, currency risk, option risk, exchange risk, spread risk, equity risk, gold risk, commodity risk and real estate risk.

The risks are calculated using value at risk (VaR) methods and supplementary statistical methods. They are monitored regularly and are reported in the risk management committees in accordance with ICAAP requirements.

A strict separation of duties between the front, back and risk control offices ensures a comprehensive, transparent and objective depiction of risks to the Managing Board and regulatory authorities.

The VaR values are calculated on the basis of a 99.9% confidence level and a holding period of 60 days (banking book) (2011: 25 days), and 30 days for trading book positions (2011: 1 day), respectively.

The VaR figures represent forecast maximum losses on the basis of historic simulations. The effects of potentially arising extreme situations are taken into account by means of stress tests.

Portfolio – extreme case scenario	VaR 2012 *	VaR 2011
Interest rate change risk, banking book	41.5 million	41.3 million
Banking book (interest rate risk, price risk, credit spread risk, equity risk) – securities only	87.3 million	57.0 million
Trading book (interest rate risk, price risk, credit spread risk, equity risk)	4.2 million	0.9 million
	Risk 2012	Risk 2011
Option risk, currency risk	1.0 million	0.0 million **)

* Risk increase results from longer holding periods compared to the previous year.

** Risk was shown under the interest rate risk item in the previous year.

All trading book portfolio positions are measured and reported daily at market prices. Market price limits are also monitored and reported on a daily basis.

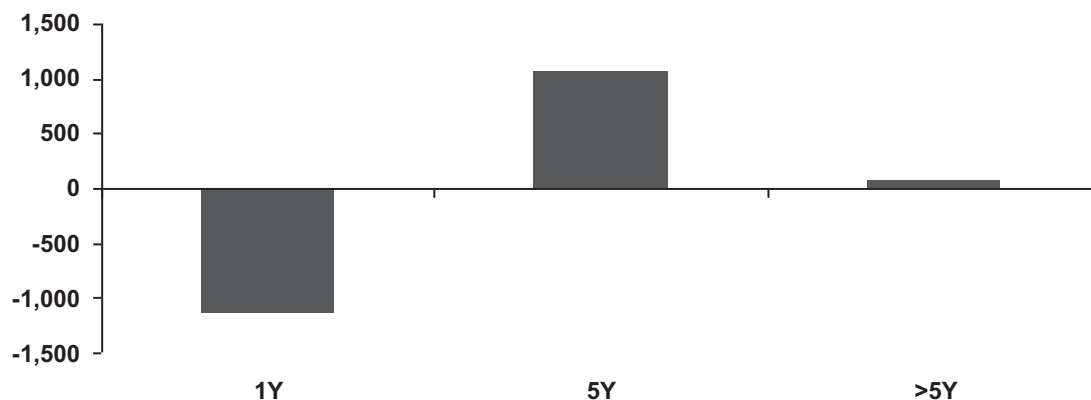
The interest rate change risk is determined in compliance with the regulatory requirements related to interest rate risk statistics. The regulatory standards require the simulation of a parallel shift in the interest rate curve by 200 basis points. This is supplemented by additional models for a comprehensive measurement of the interest rate risk. Stress testing procedures have been implemented to measure the exposure to interest rate change risk.

The management of market price risk is the responsibility of the Treasury division.

When measuring and managing interest rate risk, interest rate sensitivities (per basis points, relevant interest rate curve shift either up or down by 1 BP) are also taken into account.

Furthermore, sensitivities in the option risks (gamma, vega) and smile risks are measured, controlled and included in the limit.

FIXED INTEREST RATE GAP STRUCTURE AT 31.12.2012 (EUR MILLION)



OPERATIONAL RISKS

Operational risk reflects the risk of direct or indirect losses resulting from inadequate or failed internal processes, individuals and systems, or from external events. It also includes legal risk.

The basis indicator approach is used to measure operational risk. A risk-adequate internal control system and scheduled and unscheduled inspections by Internal Auditing/Group Auditing in the individual Group companies ensures a high degree of safety. Operational losses are systematically recorded and analysed in a loss event database. The Managing Board is kept informed of any loss events.

To identify operational risks and develop an awareness of potential risk sources, self-assessments are conducted.

LIQUIDITY RISK

Liquidity risk describes the risk that the bank will be unable to adequately fulfil its current and future payment liabilities in a timely manner, or that it will be unable to procure an adequate level of liquidity at the expected terms in the event of a liquidity shortage. Liquidity management is the responsibility of the Treasury division and is reported to the Managing Board.

The RLB Steiermark Group has a considerable liquidity buffer. Liquidity risk is measured both on a going concern and an extreme case basis. When measuring liquidity from a going concern perspective, the risk associated with terms and conditions, the reinvestment risk and the refinancing risk are considered in the risk-bearing capacity calculation. For the liquidity risk in extreme cases, a VaR figure is calculated in the front office system based on historic simulations. A single A-credit spread curve with a confidence level of 99.9% and a holding duration of one year serves as the basis.

Structural liquidity is controlled and monitored via capital commitment reports. Undetermined capital commitments are taken into account using theoretical maturity scenarios in accordance with the reference rate protocol. In addition, scenario analyses are conducted at regular intervals.

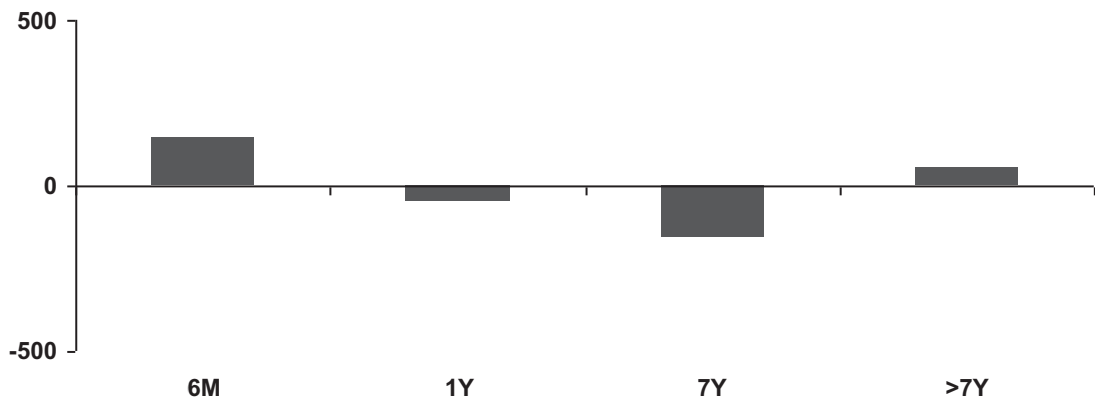
For the purpose of securing liquidity, securities eligible for ECB and SNB tenders and tenderable loans to generate liquidity with the central banks are provided as tender collateral.

In 2012, proactive steps were taken to generate additional cover-pool eligible securities in order to launch additional issues that are eligible as covering assets. The corresponding risk-accompanying measures and systems (TXS) were successfully developed to a greater extent and the applicable statutory regulations were complied with.

Structural liquidity risk is monitored and controlled by means of regular reporting of capital commitments pertaining to assets and liabilities in accordance with their residual terms to maturity.

The corresponding regulatory and BWG provisions were adhered to continuously during the reporting period.

CAPITAL COMMITMENT STRUCTURE (FIXED CAPITAL COMMITMENT) AT 31.12.2012 (EUR MILLION)



OTHER RISKS

Other risks include macroeconomic risk and the risk buffer.

MACROECONOMIC RISK

Macroeconomic risk results from an overall decline in economic conditions within the context of the classical economic cycle and any resultant increases in relevant risk parameters. To ensure that the bank will have sufficient covering assets even after such periods of decline without having to instigate massive interventions and measures, macroeconomic risk factors are taken into account. The quantification assumes a downturn in GDP with a resultant deterioration of default rates. Based on these default rates, the credit risk is recalculated and the difference to the original credit risk constitutes the macroeconomic risk.

RISK BUFFER

A risk buffer is factored in for other, non-quantifiable risks.

OTHER DISCLOSURES

34 RELATED PARTY TRANSACTIONS

An overview of loans and advances, liabilities and contingent liabilities to parent companies, companies accounted for using the equity method and related parties is provided below.

Related party disclosures as at 31.12.2012:

TEUR	Parent companies	Companies accounted for using the equity method	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charge)	0	1,439,140	403,176	1,705
Trading assets	0	37,909	733	0
Financial assets – designated at fair value through profit or loss	0	59,909	0	0
Financial assets – available for sale	0	87,495	141,870	0
Other assets	0	14,638	0	0
Financial liabilities at amortised cost	11,019	529,888	38,546	1,176
Trading liabilities	0	18,279	5	0
Provisions	0	0	610	0
Other liabilities	0	5,043	0	0

For loans and advances to related parties, specific impairment allowances totalling TEUR 502 (2011: TEUR 1,266) were made. Furthermore, provisions for recourse claims from guarantees provided to related parties were recognised in an amount of TEUR 610 (2011: TEUR 1,038).

Loans and advances to companies accounted for using the equity method essentially relate to RZB.

Related party disclosures as at 31.12.2011:

TEUR	Parent companies	Companies accounted for using the equity method	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charge)	0	903,514	474,711	715
Impairment charge on loans and advances	0	0	0	-1
Trading assets	0	2,912	441	0
Financial assets – available for sale	0	26,130	131,159	0
Financial liabilities at amortised cost	9,038	223,243	63,626	3,539
Trading liabilities	0	0	31	0
Provisions	0	0	1,038	0

By definition, the parent companies are the non-operational financial holding companies RLB-Stmk Verbund and RLB-Stmk Holding. As at 31.12.2012, RLB-Stmk Verbund, which is a 100% subsidiary of the Styrian Raiffeisen banks, is the largest shareholder in RLB-Stmk Holding, with an investment of 95.13% (2011: 95.13%). With an investment of 100%, RLB-Stmk Holding is the sole shareholder of RLB Steiermark.

In accordance with IAS 24.12, the definition “related party” also includes the subsidiaries of an associate. The business relations with these companies are presented jointly with the companies accounted for using the equity method.

Related parties are deemed to be subsidiaries and equity investments that are not included in the consolidated Financial statements due to their secondary importance.

Natural persons who according to IAS 24 are considered to be related, are first and foremost the members of the Managing Board and the Supervisory Board of Raiffeisen-Landesbank Steiermark AG, the members of the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, and the close family members of all these individuals.

The business relations of RLB Steiermark with the named entities and persons are conducted in the context of usual banking business. Above all, such business pertains to investments and refinancing. Banking transactions with related

parties in the normal course of business activities are entered into on arm's length terms and conditions. The receivables and liabilities with respect to these parties pertain to loans, sight and time deposits.

The active members of the Managing Board and the Supervisory Board of RLB Steiermark, and the Managing Board of the Landes-Hypothekenbank Steiermark Aktiengesellschaft, are deemed to be members of the key management personnel in accordance with IAS 24.9. The salaries of the Managing Board pursuant to IAS 24.17 totalled TEUR 2,832 for the year under review (2011: TEUR 3,445). Of this, TEUR 2,013 (2011: TEUR 1,975) are attributable to short-term benefits, TEUR 633 (2011: TEUR 1,227) relate to post-employment benefits and TEUR 186 (2011: TEUR 243) to other long-term benefits.

The salaries of the former members of the Managing Board amounted to TEUR 1,771 in the year under review (2011: TEUR 780), of which TEUR 1,359 (2011: TEUR 0) are accounted for by termination benefits.

During the year under review, the members of the Managing Board received supervisory board remuneration payments from fully consolidated subsidiaries amounting to TEUR 14 (2011: TEUR 14).

35 FOREIGN CURRENCY VOLUMES

The consolidated financial statements comprise the following volumes of assets and liabilities denominated in foreign currencies:

TEUR	2012	2011
Assets	1,727,366	2,079,605
Liabilities	1,007,014	1,352,216

36 FOREIGN ASSETS/LIABILITIES

Assets and liabilities arising from transactions with counterparties outside Austria break down as follows:

TEUR	2012	2011
Assets	2,956,530	2,461,460
Liabilities	3,429,983	3,622,871

37 SUBORDINATED ASSETS

TEUR	2012	2011
Loans and receivables at amortised cost	89,244	87,656
Financial assets – designated at fair value through profit or loss	2,196	18,030
Financial assets – available for sale	4,974	9,379

38 SUPPLEMENTARY AND SUBORDINATED DEBT CAPITAL

In the years 2012 and 2011, no supplementary and subordinated debt capital was issued. The interest expenses for subordinated liabilities came to TEUR 6,421 in the year under review (2011: TEUR 7,838).

39 CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

Contingent liabilities:

TEUR	2012	2011
Contingent liabilities from guarantees and other collateral securities provided to non-banks	314,272	305,167
Contingent liabilities from the supplement in respect of amounts guaranteed required from members of cooperatives	1,873	1,873
Total	316,145	307,040

Commitments:

TEUR	2012	2011
Unused credit lines – up to 1 year	730,105	761,962
Unused credit lines – more than 1 year	292,524	308,531
Total	1,022,629	1,070,493

The RLB Steiermark is a member of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association. The members of the association assume a contractual guarantee obligation to the effect that according to the statutes of the association, they jointly and severally guarantee the timely fulfilment of an insolvent association member's obligations arising from customer deposits and financial instruments issued by that member. The capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG.

As it is impossible to determine the amount of the potential liability of Raiffeisen-Landesbank Steiermark AG arising from the guarantee association, the guarantee obligation was accounted for by the entry of a nominal amount of one euro. To the same extent, all customer deposits of RLB Steiermark and all financial instruments issued by it are protected by this guarantee association. This protection exceeds the statutory guarantee under § 93 BWG.

The customer deposit guarantee association of Raiffeisen-Geldorganisation Steiermark is, for its part, a member of the Raiffeisen customer deposit guarantee association in Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich). Members of the association are Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and other regional Raiffeisen customer deposit guarantee associations. The purpose of the association is the same as that of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association with respect to Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and the members that have joined the regional Raiffeisen customer deposit guarantee associations.

40 ASSETS PLEDGED AS COLLATERAL

The following liabilities were collateralised by the assets recognised on the balance sheet:

TEUR	2012	2011
Financial liabilities at amortised cost	291,600	311,529
Trading liabilities	0	42,613
Financial liabilities – designated at fair value through profit or loss	805,189	695,544
Total	1,096,789	1,049,686

The following assets recognised on the balance sheet were pledged as collateral:

TEUR	2012	2011
Cover pool for open market operations	825,705	637,754
Cover pool for fiduciary funds	13,534	11,911
Other cover pool assets	1,422,336	1,392,590
Total	2,261,575	2,042,255

During the financial year, securities amounting to TEUR 21,303 (2011: TEUR 420) were assigned for use by third parties (securities lending). The contractual terms that are associated with the use of these securities are standard banking terms.

Breakdown of non-Group assets pledged as collateral:

TEUR	2012	2011
Cover pool for ECB tenders	441,942	379,998
Cover pool for covered bonds	971,011	405,477
Total	1,412,953	785,475

For ECB tender transactions, non-Group securities amounting to TEUR 214,236 (2011: TEUR 196,141) and credit claims totalling TEUR 227,706 (2011: TEUR 183,858) were deposited.

The non-Group securities for covered bonds relate solely to credit claims.

41 REPURCHASE TRANSACTIONS

In the context of genuine repurchase agreements, the following repurchase and redelivery commitments existed at 31 December:

TEUR	2012	2011
Genuine repurchase agreements as seller		
Trading liabilities:		
Deposits from banks	190,475	480,968
Total	190,475	480,968

TEUR	2012	2011
Genuine repurchase agreements as buyer (reverse repurchase agreement)		
Trading assets		
Loans and advances to other banks	150,005	0
Total	150,005	0

The assets provided and/or accepted as collateral under genuine repurchase agreements break down as follows:

TEUR	2012	2011
Securities transferred under repurchase agreements		
Financial assets – designated at fair value through profit or loss	91,784	102,624
Financial assets – available for sale	96,533	370,013
Total	188,317	472,637

TEUR	2012	2011
Securities received under repurchase agreements		
Bonds	153,121	0
Total	153,121	0

42 FINANCIAL INVESTMENTS PURSUANT TO § 64 BWG

The breakdown of securities listed and/or admitted to stock exchange trading by fixed and current assets is as follows:

Securities held as fixed assets (financial investments):

TEUR	2012	2011
Bonds and other fixed-income securities	542,169	984,539
Shares and other variable-yield securities	0	24,489

Securities held as current assets:

TEUR	2012	2011
Bonds and other fixed-income securities	1,015,609	994,504
Shares and other variable-yield securities	12,584	21,433

Classification as a financial investment or current financial asset was decided on a case-by-case basis by the responsible committees.

43 BONDS, OTHER FIXED-INCOME SECURITIES AND BONDS ISSUED BY THE GROUP PURSUANT TO § 64 (1)
NO. 7 BWG

Bonds and other fixed-income securities maturing in the year following the balance sheet date:

TEUR	2012	2011
Bonds and other fixed-income securities	311,649	260,156
Bonds issued by the Group	181,937	270,417

44 TRADING BOOK VOLUME PURSUANT TO § 22 BWG

TEUR	2012	2011
Loans and deposits	2,195,003	2,218,771
Other financial instruments	9,449,038	8,706,934

45 LOANS AND ADVANCES TO MANAGING BOARD AND SUPERVISORY BOARD MEMBERS

TEUR	2012	2011
Managing Board members	1,211	373
Supervisory Board members	464	285

Repayments were made as agreed; terms to maturity and interest rates were those generally available from banks.

46 EXPENSES FOR SEVERANCE PAYMENTS AND PENSIONS

Severance payments:

TEUR	2012	2011
Managing Board and senior employees	1,197	621
Other employees	2,624	2,164

Pensions:

TEUR	2012	2011
Managing Board and senior employees	1,712	1,504
Other employees	2,398	3,621

47 EXPENSES FOR REMUNERATION OF THE AUDITORS

The remuneration recognised in the financial year under review for auditing the consolidated and individual financial statements, as well as other services provided by the auditors, KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and Österreichischer Raiffeisenverband (ÖRV), breaks down as follows.

TEUR	2012		2011	
	ÖRV	KPMG	ÖRV	KPMG
Audit fees	473	513	453	483
Other auditing services	9	0	6	0
Other services	0	36	0	29
Total	482	549	459	512

Pursuant to § 237 no. 14 UGB, the auditor's remuneration for the individual financial statements of the subsidiaries is published as part of the notes to the consolidated financial statements. Thus, the auditor's remuneration (gross figures) is presented cumulatively for the Group and the subsidiaries.

48 AVERAGE NUMBER OF EMPLOYEES

	2012	2011
Waged employees	1	1
Salaried employees	1,001	986
Total	1,002	987

49 REGULATORY OWN FUNDS PURSUANT TO § 24 BWG

The regulatory own funds pursuant to § 24 BWG are shown on the basis of RLB Steiermark as subgroup of a group of credit institutions.

TEUR	2012	2011
Tier 1 capital (core capital)	922,409	955,417
Deductions under BWG	-1,171	-3,196
Eligible Tier 1 capital (core capital)	921,238	952,221
Tier 2 capital (supplementary capital)	136,881	143,036
Deductions under BWG	-1,170	-3,195
Eligible Tier 2 capital (supplementary capital)	135,711	139,841
Eligible own funds	1,056,949	1,092,062
Tier 3 capital (reclassified Tier 2 capital)	13,249	15,750
Total own funds	1,070,198	1,107,812

TEUR	2012	2011
Own funds requirement for credit risk – standard approach	618,511	661,347
Own funds requirement for the position risk in debt instruments and value stocks, foreign currency risk and commodity risk	18,121	15,750
Own funds requirement for operational risk	50,305	49,795
Total own funds requirement	686,937	726,892
Tier 1 ratio (in relation to all risks)	10,73%	10,48%
Own funds ratio (in relation to all risks)	12,46%	12,19%

EQUITY MANAGEMENT

Within the context of equity management, ensuring an appropriate level of capital resources within the RLB Steiermark Group and compliance with the regulatory own funds requirements of the RLB Steiermark Group as a group of credit institutions take precedence.

For information on the presentation of the appropriate capital resources of the RLB Steiermark Group, see note 28 "Equity".

Based on regulatory provisions, the RLB Steiermark Group is obliged to maintain own funds to the extent required to collateralise the risks that result from its business operations. See note 49 “Regulatory own funds pursuant to § 24 BWG” for more detailed information.

Furthermore, pursuant to § 39a BWG, part of the statutory duty of care imposed on banks is to ensure that they have sufficient equity resources at their disposal to protect themselves against all significant operational and other banking risks (see “Risk report” for further details). The future capital requirements arising from the EU’s “Capital Requirements Regulation – CRR I” (currently available in draft form) and the EU’s “Capital Requirements Directive IV – CRD IV” (also in draft form) are presented in internal forecasts.

50 EVENTS AFTER THE BALANCE SHEET DATE

To stabilise the financial situation of HTI AG, the financing partners reached a general agreement with its management. Among other things, that agreement provided for the takeover of mechanical engineering companies and engineering and energy technology segments by Raiffeisen-Landesbank Steiermark or its subsidiaries.

In January 2013, the shares in HTE High Tech Engineering Holding GmbH were taken over. The main holdings of that company consist of interests in Hitzinger GmbH, BBG Baugeräte GmbH and Theysohn Extrusionstechnik GmbH (all three are industrial enterprises). As the antitrust authorities did not prohibit the transaction, it was possible to enter the takeover in the Commercial Register on 1.2.2013.

In March 2013, HTE High Tech Engineering Holding GmbH was renamed DILIGENTA Holding GmbH. The company headquarters were relocated to Graz and most of its shares were disposed of. Consequently, RLB Steiermark now holds a 49% indirect interest in DILIGENTA Holding GmbH.

Beyond this, to the present date, no other business transactions or events took place that would be of particular public interest or would materially affect the 2012 consolidated financial statements.

OVERVIEW OF EQUITY INVESTMENTS

The tables below show selected equity investments. A complete listing of investments is deposited at the headquarters of Raiffeisen-Landesbank Steiermark AG.

SUBSIDIARIES:

	Type ¹⁾	Percentage held	Equity (TEUR)	Profit/loss ²⁾ (TEUR)	Date of annual financial statements
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H., Graz	H	100.00%	78,907	2,214	30.9.2012
NWB Beteiligungs GmbH, Graz	H	100.00%	10,216	3,122	31.12.2012
Immobilienenerwerbs- und Vermietungs Gesellschaft m.b.H., Graz	OT	100.00%	56,308	872	31.12.2012
Hotel Steirerhof Graz Gesellschaft m.b.H., Graz	OT	100.00%	49,427	-1	31.12.2012
Raiffeisen Rechenzentrum Holding GmbH, Graz	H	100.00%	20,745	-3	31.12.2012
Raiffeisen Informatik Center Steiermark GmbH, Graz	OT	99.95%	20,374	0	31.12.2012
Raiffeisen Rechenzentrum Süd GmbH, Graz	OT	100.00%	571	232	31.12.2012
ZRB Beteiligungs GmbH, Graz	H	80.00%	172,771	18,304	31.12.2012
Raiffeisenbank-Zagreb-Beteiligungsgesellschaft m.b.H., Graz	H	80.00%	140,654	18,319	31.12.2012
Landes-Hypothekenbank Steiermark Aktiengesellschaft, Graz	BA	75.00%	156,565	575	31.12.2012
HST Beteiligungs GmbH, Graz	BS	75.00%	43,717	1,204	31.12.2012
HSE Beteiligungs GmbH, Graz	BS	75.00%	43,717	1,206	31.12.2012
HYPO Steiermark Leasing - Holding GmbH, Graz	FI	75.00%	1,632	-2,222	31.12.2012

	Type ¹⁾	Percentage held	Fund assets (TEUR)	Fund profit/loss (TEUR)	Date of annual statement of accounts
DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund) in accordance with § 20a InvFG	IF	100.00%	181,960	13,094	31.10.2012

ASSOCIATES:

	Type ¹⁾	Percentage held	Equity (TEUR)	Profit/loss (TEUR) ²⁾	Date of annual financial statements
Raiffeisenbank Austria d.d., Zagreb (HR)	BA	20.00%	734,406	48,790	31.12.2012
Raiffeisen Zentralbank Österreich AG, Vienna	BA	15.17%	12,171,718	631,000	31.12.2012

¹⁾ Key:

BA = Bank

FI = Financial institution

H = Holding company

OT = Other company

IF = Institutional fund

BS = Company rendering banking-related ancillary services

²⁾ Profit/loss before changes in reserves and profit transfer

Summary of financial information about companies accounted for using the equity method:

TEUR	2012	2011
Assets	150,728,524	155,203,349
Liabilities	137,823,118	142,951,716
Net interest income	3,690,271	3,769,863
Profit/loss for the year	679,790	771,634

Summary of financial information about associates not included in the consolidated financial statements at equity:

TEUR	2012	2011
Assets	894,010	886,398
Liabilities	640,717	639,361
Revenues	209,201	189,307
Profit/loss for the year	13,943	12,238

BOARDS AND OFFICERS

MANAGING BOARD

CHAIRMAN

CEO Markus MAIR

DEPUTY CHAIRMAN

Deputy CEO Friedrich LENGGER

Member of the Managing Board Matthias HEINRICH (since 1.6.2012)

Member of the Managing Board Martin SCHALLER (since 1.10.2012)

Member of the Managing Board Rainer STELZER (since 1.7.2012)

Member of the Managing Board Arndt HALLMANN (until 30.6.2012)

Member of the Managing Board Johann JAUK (until 12.5.2012)

Member of the Managing Board Martin JEINDL (until 31.5.2012)

SUPERVISORY BOARD

EXECUTIVE COMMITTEE:

Wilfried THOMA, President

Chairman of RLB-Stmk Verbund eGen and Chairman of Raiffeisenbank Leoben-Bruck eGen

Herbert KOLB, First Vice President

Managing Director of Raiffeisenbank Gröbming eGen

Josef HAINZL, Second Vice President

Chairman of Raiffeisenbank Pölstal eGen

MEMBERS:

Werner FÜRNSCHUSS

Chairman of the Supervisory Board of Raiffeisenbank Deutschlandsberg eGen

Johann GRATZER

Managing Director of Raiffeisenbank Anger-Puch-Koglhof eGen

Alois PABST

Chairman of Lagerhaus Graz Land reg.Gen.m.b.H.

Eugen ROTH

Managing Director of Raiffeisenbank Leibnitz eGen

Josef SCHEROUNIGG

Managing Director of Raiffeisenbank Graz-Straßgang eGen

Hubert STIENINGER

Managing Director of Raiffeisenbank Mittleres Mürztal eGen

Franz TITSCHENBACHER

Chairman of Raiffeisenverband Steiermark and Deputy Chairman of Raiffeisenbank Gröbming eGen

Erik VENNINGDORF (until 31.12.2012)

Sales Director of Grazer Wechselseitige Versicherung Aktiengesellschaft

Josef ZÜGNER

Chairman of Raiffeisenbank Großwilfersdorf-Hainersdorf-Söchau-Aschbach eGen

DELEGATED BY THE EMPLOYEES' COUNCIL:

Sabine FUCHS

Elmar GASSNER

Eva PILGER-BUCHEGGER

Harald KORSCHULT

Michael THIER

Bernhard WESENER

STATE COMMISSIONERS:

Gabriele HERBECK

Gabriele HERMANN

CONCLUDING REMARKS BY THE MANAGING BOARD

The Managing Board approved the consolidated financial statements for publication on 8 April 2013.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm that, to the best of our knowledge, the consolidated financial statements, which have been prepared according to the applicable financial reporting standards, provide a true and fair view of the net assets, financial position and earnings situation of the Group, that the consolidated management report presents the business performance, business results and position of the Group in a manner that provides a true and fair view of the net assets, financial position and earnings situation of the Group, and that the consolidated management report describes the material risks and uncertainties to which the Group is exposed.

Graz, 8 April 2013

The Managing Board

CEO Markus MAIR, Chairman of the Managing Board,
responsible for the management of the bank and the association and for private banking

Deputy CEO Friedrich LENGGER, Deputy Chairman of the Managing Board,
responsible for risk management

Member of the Managing Board Matthias HEINRICH,
responsible for financing & controlling, non-performing loan management and organisation

Member of the Managing Board Martin SCHALLER,
responsible for capital markets, marketing & sales, insurance and residential building savings schemes

Member of the Managing Board Rainer STELZER,
responsible for commercial customers, retail customers and real estate

The present consolidated financial statements as at 31.12.2012 are a translation of the German original in accordance with the International Financial Reporting Standards (IFRS) and the applicable statutory provisions. The German version was audited by the statutory auditor and issued with an unqualified auditors' opinion. The German consolidated financial statements were published in the official gazette (Amtsblatt der Wiener Zeitung), no. 085 on 30 April 2013. Commercial Register: Graz Regional Civil Court

GLOSSARY

Counterparty risk

Potential loss in the value of claims resulting from the default of counterparties or a deterioration in their credit standing.

Associates

Companies upon whose operating and financial policies a material influence is exerted.

Default risk

Risk that a party in a transaction involving a financial instrument will not be able to fulfil an obligation, thereby causing the other party a financial loss.

Banking book

All items not assigned to the trading book.

Basel II

International capital adequacy standards adopted by the Basel Committee on Banking Supervision which align capital requirements more closely with the underlying risks.

Basel III

Revision of the international capital adequacy standards adopted by the Basel Committee on Banking Supervision. The aim of the revision is to strengthen global capital and liquidity rules promoting a more resilient banking sector.

Basis of assessment

The risk-weighted basis of assessment pursuant to § 22 BWG (→ risk-weighted assets).

BWG

[Austrian] Federal Banking Act (Bankwesengesetz).

Cash flow

Inflows and outflows of cash and cash equivalents.

CEBS

Committee of European Banking Supervisors. A group tasked with providing advice to the European Commission in order to promote cooperation and convergence of supervisory practice across the European Union, especially through the development of guidelines and recommendations, addressed both to financial institutions and national supervisors.

Clean price

The price of an interest rate instrument without broken period interest (interest deferrals).

Cost/income ratio

Indicator of a company's cost efficiency based on the ratio of expenses to earnings. It is calculated by comparing general administrative expenses (comprising staff costs and other administrative expenses and depreciation/amortisation/ write-offs of intangible assets and property and equipment) with operating income (net interest income, net fee and commission income, net trading income and other operating profit/loss).

DBO

Defined benefit obligation. The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Derivatives

Financial instruments whose value changes in response to changes in an underlying instrument, e.g. a specified interest rate, financial instrument price, commodity price, foreign exchange rate, price or interest rate index, credit rating, or similar variable, that require no or little initial net investment and are settled at a future date.

Dirty price

The price of an interest rate instrument inclusive of broken period interest (interest deferrals).

EBA

European Banking Authority. A regulatory agency of the European Union which has taken over all tasks and responsibilities from the Committee of European Banking Supervisors (→ CEBS). Its main task is to develop European supervisory standards which will serve as a guide for national regulators, which will retain primary responsibility for supervisory functions.

EFSF

European Financial Stability Facility. The EFSF was created in response to the sovereign debt crisis in the euro area as a temporary rescue mechanism. As a public limited company under Luxembourg law, the EFSF funds loans to cover the financing needs of euro area member states in financial difficulties by issuing bonds which backed by pro rata guarantees of the euro area countries.

Own funds pursuant to BWG

These are made up of Tier 1 capital, supplementary and subordinated debt capital (Tier 2) and short-term subordinated debt capital and reclassified Tier 2 capital (Tier 3).

Own funds requirement pursuant to BWG
Pursuant to § 22 (1) BWG, the own funds requirement comprises the capital requirements for credit risk, all risk types in the trading book, commodities and foreign exchange risk, and operational risk.

Own funds ratio

The numerator of this ratio consists of own funds pursuant to BWG and its denominator represents the total own funds requirement pursuant to § 22 (1) BWG multiplied by 12.5.

ESM

European Stability Mechanism. The ESM is designed to safeguard financial stability within the euro area with effect from mid-2012 and is a planned component of the comprehensive set of measures colloquially referred to as "euro rescue package". Its purpose is to prevent sovereign bankruptcies in the euro area and their negative consequences for the common European currency.

Euribor

European Interbank Offered Rate. The interest rate charged by European banks for interbank deposits with a fixed term of one week or ranging between one month and twelve months. The Euribor is the most widely used reference rate for variable-rate euro bonds.

Exposure

Exposure refers to the amount expected to be borne by a bank facing the delinquency of a borrower.

The exposure is proportionately comprised of unused external credit lines and financing certain products.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Goodwill

The excess of the price paid for a company (= cost of acquisition) over the acquirer's interest in the fair values of the identifiable assets and liabilities purchased on the date of acquisition.

Futures

Standardised forward contract traded on an exchange under which a commodity traded on a money, capital, precious metal or currency market is to be delivered or accepted on a specific future date at the specified market price.

Trading book

Banking regulatory term for positions held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

Hedging

Transactions to protect existing or future positions against the exposure to risks (e.g. price or interest rate risks). The change in the fair value of the hedging instruments is an offset, in whole or in part, to the change in the fair value or cash flows of the hedged item/underlying transaction.

ICAAP

Internal Capital Adequacy Assessment Process. A process that guarantees that banks have sufficient internal capital at their disposal to cover all material risks.

IFRIC, SIC

International Financial Reporting Interpretation Committee. Interpretation of the International Financial Reporting Standards; formerly also called SIC (Standing Interpretations Committee).

International Financial Reporting Standards (IFRS), International Accounting Standards (IAS)

The International Financial Reporting Standards and International Accounting Standards are reporting standards issued by the International Accounting Standards Board (IASB) with the goal of achieving transparent and comparable accounting on an international basis.

Investment property

Land or buildings held as financial investment to generate rental income and/or for capital appreciation.

Cash flow statement

Statement of cash flows during the financial year arising from operating activities, investing activities and financing activities and reconciliation of cash and cash equivalents held at the beginning and the end of the financial year.

Core capital

Tier 1 capital, consists of the paid-in capital and reserves less intangible assets and balance sheet losses and material losses during the current financial year.

Tier 1 ratio (credit risk)

The numerator of this ratio consists of the core capital (Tier 1) and its denominator represents the total own funds requirement pursuant to § 22 (1) BWG multiplied by 12.5.

Credit derivatives

Instruments that transfer the credit risks associated with loans, bonds or other risk assets or market risk positions to another entity.

Group of credit institutions

Pursuant to § 30 BWG, the group of credit institutions is made up of all banks, financial institutions, securities companies and companies rendering banking-related services in which a superordinate institution holds a direct or indirect majority interest or exercises a controlling influence.

Credit exposure

Comprises all on-balance sheet exposures (loans and receivables, bonds) and off-balance sheet exposures (guarantees, credit lines).

Deferred tax assets

The amounts of income taxes recoverable in future periods in respect of deductible temporary differences (carryforwards of unused tax losses and unused tax credits).

Deferred tax liabilities

The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Liquidity risk

The risk that a company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from the inability to sell a financial asset quickly at close to its fair value.

Market risk

The risk that the value of a financial instrument will change as a result of fluctuations in market prices, whether those fluctuations are caused by factors specific to the individual security or its issuer or by factors affecting all securities traded in the market.

Operational risk

Risk of unexpected losses resulting from the inadequacy or failure of internal processes, people and systems or from external events, including legal risks.

Options

Instruments that give the holder the right to purchase the underlying asset from a contracting party at a prearranged price and at a specified time or within a specified period (call option) or to sell the underlying asset to a contracting party at a prearranged price and at a specified time or within a specified period (put option).

OTC instruments

Financial instruments that are neither standardised nor traded on a stock exchange. They are traded directly between market participants over the counter.

Negative goodwill

Any (remaining) excess, on the date of acquisition, of the acquirer's interest in the fair values of the identifiable assets and liabilities purchased over the cost of acquisition.

Repurchase Transactions

In genuine repurchase (repo) transactions, the company sells assets to a counterparty and concurrently agrees to repurchase the same assets on a specified date at an agreed price.

Portfolio-based provisions for impairment losses

Impairment provisions for loan portfolios with identical risk profiles that may be formed under certain circumstances.

Projected unit credit method

An actuarial valuation method defined by IAS 19 according to which the benefit obligation must be recognised at the actuarial present value of the pension benefit entitlement existing on the reporting date. Increases in salary are taken into account. The interest rate is based on long-term capital market rates.

Rating

Assessment of the creditworthiness of a debt instrument (issue rating) or a debtor (issuer rating).

Risk-weighted assets

The assessment basis for the credit risk is the sum of the weighted accounts receivable and includes receivables in the form of asset items, off-balance sheet items pursuant to Annex 1 of § 22 BWG and derivatives pursuant to Annex 2 of § 22 BWG.

Risk controlling

The process of calculating and monitoring risk on an ongoing basis, including the development of risk controlling methods, combined with the implementation of a corresponding risk analysis/reporting system by a neutral, independent corporate function.

Risk management

The incorporation of risk/return-related aspects into the management of specific portfolios.

ROE (return on equity)

Return on total equity including minority interests, i.e. profit/loss for the year before tax or after tax in relation to average equity on the balance sheet (including minority interests).

Segment reporting

Disclosure of earnings and asset data for individual business segments.

Spread

Premium/discount compared to a particular reference rate.

Stress test

Stress tests endeavour to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR figures forecast maximum losses under normal market conditions).

Swap

Exchange of interest obligations (interest rate swap) and/or currency positions (currency swap).

UGB

Austrian Business Enterprise Code (Unternehmensgesetzbuch).

VaR

The value at risk expresses the potential loss that will, with a given probability of 99%, not be exceeded within the period for which an asset is held in the portfolio in question.

Currency risk

The risk that the value of a financial instrument will change due to changes in foreign exchange rates.

Subsidiaries

Companies over whose operating or financial policies a significant influence is exercised.

Interest rate risk

The risk that the value of a financial instrument will change due to fluctuations in market interest rates.

Interest margin

Net interest income in relation to average total assets.

RAIFFEISEN-LANDESBANK STEIERMARK AG

ESTABLISHED IN 1927

The regional headquarters, credit and financing institution as well as service provider and information centre of the Raiffeisen Banking Group Styria

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