

RAIFFEISEN BANK INTERNATIONAL AG

ANNUAL FINANCIAL STATEMENTS 2014

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Annual financial statements

Statement of financial position

ASSETS	31/12/2014 in €	31/12/2013 in € thousand
1. Cash in hand and balances with central banks	567,766,830.64	710,464
2. Treasury bills and other bills eligible for refinancing with central banks	4,697,146,781.80	2,479,069
3. Loans and advances to credit institutions	15,221,343,468.50	23,746,588
a) Repayable on demand	865,451,975.33	1,826,436
b) Other loans and advances	14,355,891,493.17	21,920,152
4. Loans and advances to customers	24,180,894,460.07	25,303,233
5. Debt securities and other fixed-income securities	1,699,542,258.10	2,944,531
a) issued by public bodies	42,625,059.84	80,136
b) issued by other borrowers	1,570,628,592.74	2,864,395
hereof: own debt securities	86,288,605.52	147,104
6. Shares and other variable-yield securities	135,022,854.61	103,078
7. Participating interests	20,389,145.31	19,623
hereof: in credit institutions	0.00	0
8. Shares in affiliated undertakings	8,124,737,989.47	8,898,174
hereof: in credit institutions	1,395,364,113.19	2,429,081
9. Intangible assets	39,480,998.13	45,232
10. Tangible assets	6,723,606.68	7,456
hereof: land and buildings occupied by a credit institution for its own activities	0.00	0
11. Own shares	5,458,674.00	10,050
hereof nominal value	1,699,749.75	1,700
12. Other assets	5,882,261,501.81	4,643,125
13. Prepayments and accrued income	105,999,695.91	73,939
Total assets	60,686,768,265.03	68,984,562

LIABILITIES		31/12/2014	31/12/2013
		in €	in € thousand
1.	Liabilities to credit institutions	21,240,494,250.31	29,642,192
	a) Repayable on demand	5,576,934,053.57	4,079,150
	b) With agreed maturity dates or periods of notice	15,663,560,196.74	25,563,042
2.	Liabilities to customers (non-banks)	15,275,157,375.30	14,294,749
	a) Savings deposits	0.00	0
	b) Other liabilities	15,275,157,375.30	14,294,749
	aa) Repayable on demand	5,397,011,196.81	5,662,362
	bb) With agreed maturity dates or periods of notice ¹	9,878,146,178.49	8,632,387
3.	Securitised liabilities	7,763,364,395.04	9,933,478
	a) Debt securities issued	5,830,694,857.99	9,098,996
	b) Other securitised liabilities ¹	1,932,669,537.05	834,482
4.	Other liabilities ¹	6,018,511,772.60	4,293,707
5.	Accruals and deferred income	192,510,775.58	203,595
6.	Provisions	241,159,957.05	247,108
	a) Provisions for severance payments	48,487,248.09	39,448
	b) Provisions for pensions	32,072,725.66	24,045
	c) Provisions for taxation	5,771,619.22	7,124
	d) Other Provisions	154,828,364.08	176,491
7.	Supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013 ¹	3,760,200,797.67	3,350,665
8.	Participation capital	0.00	2,500,000
9.	Subscribed capital	893,586,065.90	596,291
10.	Capital reserves	4,430,854,928.79	1,949,971
	a) Committed	4,333,303,215.41	1,852,592
	b) Uncommitted	97,066,398.80	97,066
	c) Option reserve	485,314.58	312
11.	Retained earnings	1,289,094,080.83	1,289,094
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	1,283,594,080.83	1,283,594
	hereof: reserves for own shares	5,458,674.00	10,050
12.	Liability reserve pursuant to Article 57 (5)	383,015,000.00	383,015
13.	Profit/loss	(801,181,134.04)	300,697
Total liabilities		60,686,768,265.03	68,984,562

¹ Adaption of previous year figures due to change of Annex 2 to Article 1 of Section 43, part 1 BWG (details can be found in chapter additional own funds according to CRR)

Income statement

	2014	2013
	in €	in € thousand
1. Interest receivable and similar income	1,359,975,912.87	1,436,408
hereof: from fixed-income securities	116,308,056.60	125,972
2. Interest payable and similar expenses	(780,013,308.73)	(938,520)
I. NET INTEREST INCOME	579,962,604.14	497,887
3. Income from securities and participating interests	395,166,094.69	773,560
a) Income from shares and other variable-yield securities	1,306,568.02	1,139
b) Income from participating interests	356,838.20	346
c) Income from shares in affiliated undertakings	393,502,688.47	772,075
4. Commissions receivable	232,485,811.27	238,171
5. Commissions payable	(37,765,303.00)	(33,578)
6. Net profit or net loss on financial operations	29,392,070.15	27,952
7. Other operating income	188,574,449.22	116,820
II. OPERATING INCOME	1,387,815,726.47	1,620,812
8. General administrative expenses		
a) Staff costs	(268,557,581.59)	(271,845)
aa) Wages and salaries	(197,192,805.63)	(213,614)
bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(41,880,521.56)	(41,209)
cc) Other social expenses	(6,537,401.78)	(6,989)
dd) Expenses für pensions and assistance	(5,195,478.28)	(5,255)
ee) Allocation to provision for pensions	(4,001,496.21)	2,987
ff) Expenses for severance payments and contributions to severance funds	(13,749,878.13)	(7,765)
b) Other administrative expenses	(316,315,516.58)	(269,861)
9. Value adjustments in respect of asset items 9 and 10	(13,649,585.84)	(23,194)
10. Other operating expenses	(90,905,658.00)	(38,169)
III. OPERATING EXPENSES	(689,428,342.01)	(603,069)
IV. OPERATING RESULT	698,387,384.46	1,017,743
11./ 12. Net income/expenses from the disposal and valuation of loans and advances and specific securities	(505,896,552.21)	(307,851)
13./ 14. Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(869,767,812.88)	(100,594)
V. PROFIT ON ORDINARY ACTIVITIES	(677,276,980.63)	609,298
15. Tax on profit or loss	(9,425,233.94)	32,735
16. Other taxes not reported under Item 17	(116,905,745.45)	(104,787)
VI. PROFIT/LOSS	(803,607,960.02)	537,246
17. Changes in reserves	0.00	(37,609)
hereof: allocation to liability reserve	0.00	0
VII. PROFIT/LOSS BEFORE DISTRIBUTION ON PARTICIPATION CAPITAL	(803,607,960.02)	499,637
18. Distribution on participation capital	0.00	(200,000)
VIII. PROFIT/LOSS AFTER DISTRIBUTION ON PARTICIPATION CAPITAL	(803,607,960.02)	299,637
19. Profit brought forward	2,426,825.98	1,060
IX. PROFIT/LOSS	(801,181,134.04)	300,697

Items off the statement of financial position

ASSETS	31/12/2014	31/12/2013
	in €	in € thousand
1. Foreign assets	33,838,887,009.17	40,886,567

LIABILITIES	31/12/2014	31/12/2013
	in €	in € thousand
1. Contingent liabilities	8,558,367,775.21	9,530,998
Guarantees and assets pledged as collateral security	8,558,367,775.21	9,530,998
2. Commitments	13,456,222,538.78	11,124,532
3. Commitments arising from agency services	313,194,989.12	287,235
4. Eligible capital pursuant to Part 2 of Regulation (EU) No 575/2013 ¹	9,632,958,759.48	-
hereof: supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013	3,603,802,419.22	-
5. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 ¹	36,894,443,383.04	-
hereof: capital requirements pursuant to Article 92 (1) (a) to (c) of Regulation (EU) No 575/2013		
a) hereof: capital requirements pursuant to Article 92 (a)	16.15%	-
b) hereof: capital requirements pursuant to Article 92 (b)	16.15%	-
c) hereof: capital requirements pursuant to Article 92 (c)	25.92%	-
6. Foreign liabilities	18,902,049,701.70	20,556,015

¹ Details and previous year figures in the prevailing version of BWG at that time can be found in the notes under chapter own funds according to CRR.

Notes

Recognition and measurement principles

General principles

The annual financial statements for the year ending 31 December 2014 were prepared by the Management Board in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). The amendments to the Austrian Banking Act to comply with the EU's CRR/CRD IV resulted in some changes in the statement of financial position presentation. The Bank implemented these alterations in the present annual financial statements. In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to the best of our knowledge the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

RBI AG chose the internet as the medium for the disclosure under Section 431 ff Regulation (EU) No. 575/2013. The disclosure is reported on RBI AG's homepage (www.rbinternational.com).

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2014 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets admitted to trading on a stock exchange have been valued according to the strict lower of cost or market principle since last year. Previously, they had been recognized at market value. Last year, this change in the method resulted in an impairment of €10.2 million.

Derivatives on interest rates (interest rate swaps, interest rate options and forward rate agreements) and on exchange rates (cross currency interest rate swaps and forward exchange transactions) are accounted for according to the accrued interest method, in which interest amounts are accrued for each period.

In designating derivatives as part of effective micro hedging transactions, compensatory valuation of the underlying transaction and hedging derivative takes place.

RBI AG uses interest rate swaps to hedge the interest rate risk from assets (bonds and loans) and liabilities (own issues, promissory notes and custodian business) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize the interest rate risk.

These derivatives form part of a valuation unit. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with IAS 39 and documented according to applicable regulations. On designation, the effectiveness of the hedging relationship is reviewed by a prospective effectiveness test with 100 basis point shifts in the yield curve.

The effectiveness is measured retrospectively on the basis of a monthly regression analysis; a hedge is deemed to be effective if changes in the market value of the underlying and hedging transaction are in a range of 80-125 per cent.

The banking book also includes derivatives which do not meet the criteria of a trading book and are not part of a micro hedge relation. The focus is not on short-term gains but on making profits through positioning based on medium- to long-term market opinion.

These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional unities. Within these functional unities an imparitative valuation takes place. For a negative accounting balance per functional unit a provision for impending loss will be allocated, while a positive accounting balance will be unrecognized.

Derivatives of the bank book, which are not reflected in functional units, are valued imparitatively. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and specific securities.

Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under commissions; the valuation results are recorded against income based on the imparity principle.

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as sold put options on the respective funds to be guaranteed. Valuation is based on a Monte Carlo simulation and is in accordance with the framework conditions stipulated by law.

Derivative financial instruments

OTC derivatives are subject to valuation adjustments to reflect the counterparty default risk (credit value adjustment - CVA) and adjustments to the Bank's own credit risk (debit value adjustment - DVA) to cover expected losses in the lending business.

The CVA involves, first, the determination of the expected positive exposure and, second, the counterparty's probability of default. The DVA is determined by the expected negative exposure and RBI's credit quality.

To determine the expected positive exposure, a large number of scenarios for future points in time are simulated, reflecting all available risk factors (e.g. currency and yield curves). Having regard to these scenarios, the OTC derivatives are measured at market value and aggregated at counterparty level to finally determine the positive exposure for all the dates.

Counterparties with CSA contracts (credit support annex - CSA) will also be included in the calculation as at 31 December 2014. The expected risk exposures for such contracts are not calculated directly from the simulated market values, but from an expected future change in market values through a 10-day margin period of risk.

As a further component for the CVA, a probability of default has to be determined for each counterparty. If direct CDS quotes (credit default swap - CDS) are available, RBI derives the market-based probability of default for the respective counterparty and implicitly the loss-given default (LGD). To determine the probability of default of counterparties that are not actively traded in the market, the counterparty's internal rating is assigned to a sector- and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and RBI's credit quality and represents the value adjustment with regard to RBI's own probability of default. The method applied to calculate the negative exposure is similar to that used for the CVA; the expected negative market value is applied instead of the expected positive market value. From the simulated future aggregated counterparty market values, negative, rather than positive, exposures are determined. These represent our expected liability to the counterparty at the respective future dates.

To determine RBI's own probability of default values implied by the market are also used. If direct CDS quotes are available, these are applied. If no CDS quotes are available, RBI's own rating is assigned to a sector- and rating-specific CDS curve to determine its own probability of default.

Loans and advances

Loans and advances are generally recognized at cost according to the strict lower of value or market principle.

Risks in the lending business

When the loan portfolio is measured, appropriate value adjustments or provisions respectively for guarantee loans are made for all identifiable risks, and the principle of prudence is observed. In addition, a general loan loss provision (portfolio-based provision) is recorded on the basis of the respective averages of the historic default rates of the last five years in each rating category. The single years were weighted linear.

Investments and shares in affiliated companies

The investments and shares in affiliated companies are measured at the cost, provided sustained losses or reduced equity do not necessitate depreciation to the proportionate equity, income value or market price.

If there are exchange rate hedges for investments in the form of valuation units, the individual valuation principle is applied at the level of the valuation unit.

Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis (pro rata temporis).

An impairment loss is recognized if an asset is permanently impaired.

Scheduled depreciation is based on the following periods of use (in years):

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	5 to 8	Hardware	3 to 4
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10
Goodwill	5		

Low-value fixed assets are written off in full in the year of acquisition.

Own shares

Own shares are valued on strict lowest value principle on the reporting date. These include own shares intended for the share incentive program (SIP) for top performers (members of the management boards and leading employees of the bank's subsidiaries). Own shares for employees of RBI AG intended for the SIP are written down on a straight-line basis over the residual term of the respective program (the term is five years), to the lower market price where necessary. An option reserve is set up for the 2013 tranche over the five-year period.

The Management Board of RBI AG decided, with the approval of the Supervisory Board, to introduce a share incentive program (SIP) in order to commit key employees to the company and to reward loyalty. Based on essentially similar agreements, a performance-based allocation of shares in the company to its top executives is planned after a qualifying period of five years.

The share incentive program applies for the Management Board of the RBI AG, as well as for members of the management boards of the bank's subsidiaries, and for selected executives of the RBI AG. Top executives have to make their own investment and purchase shares in RBI AG in order to benefit from the program. Shares purchased in this way have to remain in the possession of the manager concerned for a period of five years.

Shares are allocated based on two equally weighted performance indicators. One is the performance of RBI AG compared to the ROE target, calculated as the average value over the qualifying period. The other is the total shareholder return of the RBI share compared to all banks included in the Dow Jones Euro Stoxx Banks index.

Capital expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term. Other capital expenses are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 - Employee Benefits - based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 2.0 per cent (31/12/2013: 3.5 per cent) a year and an effective salary increase of 3.0 per cent (31/12/2013: 3.0 per cent) a year. The parameters for retired employees are a capitalization rate of 2.0 per cent (31/12/2013: 3.5 per cent) a year and an expected increase in retirement benefits of 2.0 per cent (31/12/2013: 2.0 per cent) a year. The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is also based on an interest rate of 2.0 per cent (2013: 3.5 per cent) a year and an average salary increase of 3.0 per cent (2013: 3.0 per cent) a year.

The basis for the calculation of provisions for pensions, severance payments and long-service bonuses is provided by AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) by Pagler & Pagler, using the variant for salaried employees.

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known.

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWVG) as follows: 60 per cent of the annual bonus is paid out in part 50 per cent as an upfront payment and in part 50 per cent as a phantom share plan with a retention period of one year. 40 per cent of the annual bonus is subject to a five-year deferral period and likewise paid out in part 50 per cent in cash and in part 50 per cent in the way of the phantom share plan. The phantom shares are converted on allocation and payment each using the average price of the preceding financial year.

Liabilities

These are recognized at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

Company

Raiffeisen Bank International AG (RBI AG) is registered in the company register at the Commercial Court of Vienna under FN 122.119m. Its registered office is at Am Stadtpark 9, 1030 Vienna. The annual financial statements are deposited at the company register court and published in the official gazette of the Wiener Zeitung in accordance with the Austrian disclosure regulations.

RBI is a universal bank which focuses on corporate and retail customers in Central and Eastern Europe (CEE) and solely on corporate customers in Austria. In CEE, RBI has its own extensive network of subsidiary banks, leasing companies and numerous specialized financial services companies with 2,866 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and is one of the country's most significant banks for corporate, export and trade finance. Further business areas are cash and asset management, treasury and investment banking. As a highly specialized financial engineer, RBI in Austria is geared to serving the needs of large domestic and foreign customers, multinationals and financial service providers. It carries on selective business with corporate customers and financial institutions in the world's financial centers and Asia through branches, subsidiaries and representative offices.

RBI AG has branches in Asia (Beijing, Hong Kong, Xiamen, Singapore, Labuan) and also in London and Frankfurt.

The company has a group relation with Raiffeisen-Landesbanken-Holding GmbH, Vienna (ultimate parent) and its affiliated companies and is part of the fully consolidated group. The annual consolidated financial statement is deposited at the domicile of the company. In addition the annual consolidated financial statement is included in the annual consolidated financial statement of Raiffeisen Zentralbank Austria AG, Vienna.

As shares of the company are traded under Section 2 (37) BWG within a regulated market, RBI AG has to publish an annual consolidated financial statement in accordance with Section 245 (5) UGB in compliance with International Financial Reporting Standards.

Service relationships between RZB and RBI AG

There are mutual service relationships between RZB and RBI AG that are covered by service level agreements (SLAs). On the basis of a framework agreement and an SLA template, which regulate the rights and obligations of the contracting parties and the settlement modalities between them, there are a variety of SLAs covering dealings between RZB and RBI AG in different areas. These are subject to an annual review process based on the services actually provided.

On the reporting date there were 24 SLAs regulating services provided by RBI AG. The most important of these are:

- Information technology
- Accounting & Reporting
- Legal & Compliance
- Group Communications

In return, RZB provides services that represent group guidelines, such as group management instruments. These are regulated in 6 SLAs concerning primarily RZB Group Corporate Responsibility and Group Organization & Internal Control System.

Service relationships between RBI AG and other companies

Service relationships exist between RBI AG and other companies especially in the field of IT.

Notes on individual items of the statement of financial position

Breakdown of maturities

The loans and advances to credit institutions and loans and advances to customers that are not due on a daily basis break down by their residual terms as follows:

in € million	31/12/2014	31/12/2013
Loans and advances to credit institutions		
Up to 3 months	6,873.2	13,069.9
More than 3 months, up to 1 year	2,358.0	3,261.7
More than 1 year, up to 5 years	3,037.8	4,249.0
More than 5 years	2,086.9	1,339.6
Loans and advances to customers		
Up to 3 months	7,136.2	6,798.1
More than 3 months, up to 1 year	4,641.0	4,726.7
More than 1 year, up to 5 years	9,716.7	10,786.5
More than 5 years	1,674.1	1,958.9

The deposits from banks and deposits from customers that are not due on a daily basis break down by their residual terms as follows:

in € million	31/12/2014	31/12/2013
Liabilities to credit institutions		
Up to 3 months	6,680.1	15,986.4
More than 3 months, up to 1 year	2,064.1	2,469.2
More than 1 year, up to 5 years	5,184.4	5,408.6
More than 5 years	1,735.0	1,698.8
Liabilities to customers (non-banks)		
Up to 3 months	4,923.9	4,117.6
More than 3 months, up to 1 year	2,698.6	1,799.3
More than 1 year, up to 5 years	812.2	884.6
More than 5 years	1,443.5	1,786.2

Bonds and other fixed-interest securities amounting to € 273.0 million (31/12/2013: € 1,096.0 million) will become due in the next financial year.

Bonds and notes issued amounting to € 2,416.2 million (31/12/2013: € 2,691.9 million) will become due in the next financial year.

Derivative financial instruments

Hedging relationships

Fair value hedges with hedging periods up to 2053 existed as at 31 December 2014.

On the basis of clean prices, the positive market values of the hedging derivatives amounted to € 812.4 million (31/12/2013: € 530.7 million). The negative market values of the derivatives amounted to € 98.6 million (31/12/2013: € 101.6 million) as at 31 December 2014.

Interest rate management derivatives

A provision for impending losses of € 40.6 million (31/12/2013: € 34.1 million) was made for derivatives in connection with functional units. In the financial year, in this context € 30.3 million was allocated to the provision and € 23.8 million was released due to changes in market value of the functional units.

The portfolio-based management of functional units was summarized according to the strategy applied to manage interest risk for the currencies contained therein and reveals the following picture for the positive and negative fair values:

in € thousand	31/12/2014		31/12/2013		Valuation effect 31/12/2014
	Positive values	Negative values	Positive values	Negative values	
CHF	84	(67)	188	0	(171)
CZK	116	(383)	0	(665)	398
EUR	86,883	(40,059)	41,277	(33,342)	38,889
GBP	0	0	122	0	(122)
HUF	1	0	15	0	(14)
JPY	3	0	0	0	3
PLN	2	0	64	0	(62)
RUB	136	0	0	0	136
USD	3,432	(118)	3,821	(49)	(458)
Total	90,657	(40,627)	45,487	(34,056)	38,599

The main factor that determined the valuation result was the expansion in the volume of euro denominated interest rate swaps.

Securities

The table below lists the securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities in € million	Listed	Unlisted	Listed	Unlisted
	31/12/2014	31/12/2014	31/12/2013	31/12/2013
Debt securities and other fixed-income securities	1,696.9	2.6	2,994.5	0.0
Shares and other variable-yield securities	44.4	0.0	82.7	20.4

The table below lists securities admitted to stock exchange trading (asset side) measured as fixed assets or current assets (including trading portfolio):

Securities in € million	Fixed assets	Current assets	Fixed assets	Current assets
	31/12/2014	31/12/2014	31/12/2013	31/12/2013
Debt securities and other fixed-income securities	684.2	1,015.3	824.7	2,119.8
Shares and other variable-yield securities	0.0	44.5	20.3	82.7

RBI AG sold fixed asset securities in the nominal amount of € 720.0 million in the reporting year, realizing a net gain of € 3.1 million:

Balance sheet item	Nominal amount in € million	Net gain in € million
Treasury bills and other bills eligible for refinancing with central banks	28,6	0,3
Loans and advances to credit institutions	0,0	0,1
Loans and advances to customers	131,8	0,3
Debt securities and other fixed-income securities	559,6	2,4
Total	720,0	3,1

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is made up of € 70.1 million (31/12/2013: € 24.9 million) to be recognized in the future as expenditure and € 17.8 million (31/12/2013: € 3.7 million) to be recognized as income.

In the case of securities admitted to stock exchange trading and recognized at fair value that do not have the characteristics of financial investments, the difference between the higher of the acquisition cost and the fair value is € 13.6 million (31/12/2013: € 13.7 million), whereas € 7.5 million (31/12/2013: € 6.0 million) are hidden reserves and € 6.1 million (31/12/2013: € 7.7 million) are valuation gains.

The item "Loans and advances to credit institutions" contains own bonds that are not admitted for public trading worth € 13.0 million (31/12/2013: € 8.6 million).

The items "Loans and advances to credit institutions" and "Loans and advances to customers" contains loans and advances which are securitized notes in the amount of € 19.5 million (31/12/2013: € 44.2 million).

Securities amounting to € 50.2 million (31/12/2013: € 0.5 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognized on the statement of financial position.

The volume of RBI's trading book pursuant to Article 103 CRR is € 171,678.6 million (31/12/2013: € 162,990.7 million), with € 1,936.9 million (31/12/2013: € 2,000.1 million) accounted for by securities and € 169,741.6 million (31/12/2013: € 160,990.6 million) accounted for by other financial instruments.

Investments and shares in affiliated companies

The list of investments is shown separately in the notes, annex 3. There are no cross-shareholdings and no profit and loss transfer agreements as at 31 December 2014.

In the past, RI concluded exchange rate hedging transactions with RZB to hedge the currency risk represented by the equity of the following companies held in local currency:

- Raiffeisen Bank Polska S.A., Warsaw
- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev

Loans and advances to and deposits from affiliated companies and companies linked by virtue of a participating interest:

in € million	31/12/2014	31/12/2013
Loans and advances to credit institutions		
to affiliated companies	6,856.7	12,251.4
To companies linked by virtue of a participating interest	380.1	308.2
Loans and advances to customers		
to affiliated companies	4,388.0	4,414.7
To companies linked by virtue of a participating interest	145.3	223.4
Debt securities and other fixed-income securities		
from affiliated companies	21.5	4.2
from companies linked by virtue of a participating interest	1.2	0.5
Liabilities to credit institutions		
from affiliated companies	4,995.3	13,162.6
from companies linked by virtue of a participating interest	4,114.4	4,316.3
Liabilities to customers (non-banks)		
from affiliated companies	1,493.7	794.9
from companies linked by virtue of a participating interest	174.4	500.5

Fixed assets

The statement of fixed assets is shown separately in the notes, Annex 1.

RBI AG was not directly involved in the leasing business as a lessor in 2014.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 30.4 million (31/12/2013: € 30.0 million) for the following fiscal year. The total amount of obligations for the following five years amounts to € 162.5 million (31/12/2013: € 160.5 million).

In the reporting year, the disposal of tangible fixed assets resulted in book losses of € 0.3 million (31/12/2013: € 0.0 million).

The intangible fixed assets item includes € 0.7 million (31/12/2013: € 1.3 million) of intangible fixed assets acquired from affiliated companies. In the previous year, the item also included € 5.7 million of goodwill resulting from the merger of RZB's main areas of business with RI. In the reporting year, goodwill was fully impaired. The impairment is included in sundry operating expenses.

Own shares

The item "Own shares" amounting to € 5.5 million (31/12/2013: € 10.1 million) includes 557,295 (31/12/2013: 557,295) own shares (representing 0.19 per cent, or € 1,700 thousand of the total capital stock), of which 557,295 (31/12/2013: 557,295) are intended for the share incentive program (SIP).

Own shares for RBI employees dedicated for own shares of the 2011 and 2012 tranche were written off linear according to the duration of the program.

Other assets

As at 31 December 2014, other assets totaled € 5,882.3 million (31/12/2013: € 4,643.1 million). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book - refer to Annex 2 for details) in the amount of € 5,311.8 million (31/12/2013: € 3,617.8 million). This item also includes dividends receivable totaling € 288.6 million (31/12/2013: € 732.3 million), loans and advances for coined and uncoined precious metals in the amount of € 52.9 million (31/12/2013: € 57.7 million).

The other assets also contains income of € 552.1 million (2013: € 1,014.2 million), which were affecting in payment after the reporting date.

Other liabilities

As at 31 December 2014, other liabilities amounted to € 6,018.5 million (31/12/2013: € 4,148.6 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book - refer to Annex 2 for details) in the amount of € 5,389.2 million (31/12/2013: € 3,428.8 million) and liabilities of € 32.5 million (31/12/2013: € 49.6 million) from short positions in bonds. Capital guarantees for funds are valued at € 151.0 million (31/12/2013: € 103.6 million). The item also includes accrued interest for additional capital of € 191.2 million (31/12/2013: € 149.2 million).

The other liabilities also contains expenses in the amount of € 432.3 million (2013: 87.4 million), which were affecting in payment after the reporting date.

Provisions

Provisions are valued at € 241.6 million, representing a year-on-year decrease of € 5.5 million.

Provisions amount to € 48.5 million (31/12/2013: € 39.4 million) for severance payments, € 32.1 million (31/12/2013: € 24.0 million) for pensions; € 5.8 million (31/12/2013: € 7.1 million) for tax provisions € 154.8 million (31/12/2013: € 176.5 million) for other provisions. Reinsurance policies are in place in the amount of € 16.9 million for pension provisions. Pension claims of the same amount are reported under other assets.

Tax provisions of € 5.8 million amount to € 3.2 million (31/12/2103: € 3.2 million) for corporate income tax, € 1.1 million (31/12/2013: € 1.1 million) for value added tax and € 1.4 million (31/12/2013: € 2.3 million) for income tax at the Singapore and Labuan branches.

The change in other provisions mainly resulted, from the reduction of provisions for bonus payments.

Breakdown of other provisions in € million	31/12/2014	31/12/2013
Provisions for bonus payments	29.3	51.6
Provisions for losses on bankbook interest rate derivatives	40.6	34.1
Provisions for participations and affiliated enterprises	0.0	10.9
Provisions for process risks	23.2	21.2
Provisions for audit costs	1.3	1.5
Provisions for anniversary payments	10.6	9.0
Provisions for overdue vacation	13.7	13.3
Provisions for guarantee loans	22.7	28.2
Provisions for Supervisory Board fees	0.7	0.7
Provisions for other expenses/outstanding invoices	11.8	3.2
Provisions for operational risk/losses/other	0.9	2.8
Total	154.8	176.5

Equity

Subscribed capital

As at 31 December 2014, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 893,586 thousand. The subscribed capital consists of 292,979,038 non-par bearer shares. After deduction of the 557,295 shares held by RBI itself, the capital subscribed by third parties amounted to € 891,684 thousand. In January 2014, RBI increased its capital from approved capital by issuing 97,473,914 new shares. This was carried out in two tranches on 22 January and 10 February in compliance with statutory subscription rights. The issuance proceeds of € 2,778 million resulted in a premium, which is reported under committed capital reserves. All capital expenses were recognized in other administrative expenses and company tax under tax expenses.

Participation capital

In June, the Austrian regulatory authorities granted approval for a redemption of participation capital. On this basis, RBI fully repaid € 1,750,000 thousand of the participation capital subscribed by the Republic of Austria on 6 June. Participation capital of € 750,000 thousand subscribed by private investors was repaid on 10 September. As a result of the net loss reported in the last fiscal year, in 2015 RBI AG will pay no dividends on participation capital for financial year 2014.

Own shares

The Annual General Meeting held on 4 June 2014 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 4 and 8 of the Austrian Joint Stock Companies Act (AktG), during a period of 30 months as of the date of the resolution (i.e. by 3 December 2016), up to 10 per cent of the subscribed capital of the company and to withdraw if applicable. This authorization may be exercised in full or in part or also in several installments and for one or more purposes - with the exception of securities trading - by the company, by affiliated companies or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized pursuant to Section 65 (1b) of the Austrian Joint Stock companies Act, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. This authorization applies for a period of five years from the date of the resolution (i.e. until 3 June 2019). Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to purchase and use own shares that was granted in the Annual General Meeting of 20 June 2012. No own shares have been bought since the authorization was issued in June 2014.

The acquisition of own shares mainly serves to cover the obligation of RBI within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 4 June 2014 also authorized the Management Board, in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG), to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 3 December 2016), of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price. This authorization may be exercised in full or in part or also in several installments by the company, by affiliated companies or, for their account, by third parties. This authorization replaces the authorization for the purpose of securities trading that was granted in the Annual General Meeting held on 20 June 2012.

Authorized capital

The Management Board has been authorized pursuant to Section 169 of the Austrian Joint Stock Companies Act (AktG) by the Annual General Meeting held on 26 June 2013, within 5 years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 298,145 thousand – also in several tranches – against contribution in cash and/or in kind by issuing 97,752,562 new common bearer shares with voting rights while preserving the subscription rights of the shareholders, including the indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Joint Stock Companies Act (AktG), and to determine the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee is authorized for this purpose to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital. The Management Board made use of the authorization after approval of the Supervisory Board. The capital increase by issuing 97,473,914 new shares was carried out in two tranches on 25 January and 11 February 2014 and subscription rights were preserved. The unused part of the authorization given in the Annual General Meeting on 26 June 2013 was revoked in the Annual General Meeting on 4 June 2014.

At the same time, pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock - in one or more tranches - by up to € 446,793,032.95 by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Convertible bonds

In the Annual General Meeting held on 26 June 2013, the Management Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within 5 years as of the date of the resolution, for a maximum total nominal amount of € 2,000,000 thousand, to which attaches a conversion or subscription right to obtain a maximum of 39,101,024 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 119,258 thousand. The subscription right of shareholders is excluded. No convertible bonds have been issued to date, however.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Joint Stock Companies Act (AktG), the subscribed capital has been increased contingently by a maximum of € 119,258 thousand by issuing a maximum of 39,101,024 common bearer shares (contingent capital). The contingent capital increase would only be carried out if and when use would be made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares.

Participation rights

The Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Joint Stock Corporation Act (AktG) in a total nominal amount of up to € 2,000,000 thousand within 5 years as of the date of the resolution with the approval of the Supervisory Board and in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strength-

en its equity by issuing participation rights in the amount of € 600,000 thousand based on the authorizing resolution of June 2009. In the course of the merger of the principal business areas of RZB with Raiffeisen International with effect from 10 October 2010, the mutual loans and liabilities of the receiving and the transferring company were wiped out. The same is true of the participatory rights in the amount of € 600,000 thousand, which had been subscribed in full by RZB. This authorization expired on 8 June 2014 and no further participatory rights were issued.

Capital reserves

As at 31 December 2014, committed capital reserves amounted to € 4,333,303,215.41 (2013: € 1,852,592 thousand). The increase is attributable to the capital increase referred to under "Authorized capital" in these notes. The uncommitted capital reserves of € 97,066,398.80 remained unchanged over the entire fiscal year.

An option reserve was set up in the amount of € 485,314.58 (2013: € 312,286.66) for obligations under the Share Incentive Program for which RBI holds no own shares. The corresponding expense is booked under staff expenses.

Retained earnings

Retained earnings consist of legal reserves of € 5,500,000.00 (31/12/2013: € 5,500 thousand) and other free reserves amounting to € 1,283,594,080.83 (31/12/2013: € 1,283.594 thousand). € 5,458,674.00 (31/12/2013: € 10,050 thousand) of the other free reserves was reallocated to own shares.

Liability reserves

As at 31 December 2014, liability reserves stood at € 383,015,000.00 (31/12/2013: € 383,015 thousand).

Additional capital from own issues

Additional capital according to CRR

The additional capital amounted to € 3,760,200,797.67 as at 31 December 2014 (31/12/2013: € 3,350,665 thousand).

Of the subordinated liabilities of € 3,171.4 million as at 31 December 2013 and additional capital of € 701.4 million as at 31 December 2013, liabilities (excluding accrued interest) of € 3,350.7 million meet the requirements for additional capital in accordance with Part 2 Title 1 Chapter 4 of Regulation (EU) No. 575/2013 (CRR) and are therefore reported under this item of the statement of financial position as of 2014.

For comparative purposes, the figures of the previous year were adjusted correspondingly. Additional capital and subordinated liabilities as at 31 December 2013 that do not satisfy the characteristics of additional capital according to CRR are reported under liabilities to customers (€ 44.7 million) and securitised liabilities (€ 332.3 million). The accrued interest (€ 146.4 million) for subordinated capital that is now reported as additional capital according to CRR was reclassified and reported under other liabilities.

Company's additional capital according to CRR

in € million	31/12/2014	31/12/2013
6.625 % RBI bonds 2011-2021	0.3	0.2
5.875 % RBI debt securities issued 2023-2023	0.3	2.1
6 % RBI debt securities issued 2013-2023	1.3	0.3
RBI bonds 2014-2025	3.1	0.0
RBI bonds 2013-2024	1.0	0.0
Raiffeisen FLR Medium Term Note 2007-2015	0.0	0.6

In the reporting year issuances in the amount of € 206.0 million (2013: € 730.6 million) were collected. A profit of € 1.8 million (2013: € 6.9 million) including the release of the corresponding hedging transaction was booked.

Subordinated liabilities

List of subordinated loans (including additional capital) that exceed 10 per cent of the total subordinated liabilities of € 3,760.2 million (i.e. that exceed € 376.0 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Notes 2025 series 56	500.0	21/2/2015	4.500%
Subordinated Notes 2023 series 45	500.0	16/10/2023	6.000%
Subordinated Notes 2021 series 4	500.0	18/5/2021	6.625%

The modalities for the listed subordinated liabilities and all other subordinated liabilities are in accordance with Section 23 (8) of the Austrian Banking Act (BWG).

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 195.45 million (2013: € 182.1 million).

Expenses for additional capital according to CRR

As a result of the net loss reported in the last financial year, no coupon will be paid on the additional capital bond issued by RZB Jersey Finance III in 2015 on the basis of the bond terms. Under a support agreement, RZB AG will pay the corresponding coupon payments in full.

Total capital according to CCR

in € million	31/12/2014
Paid-in capital	893
Less own shares	(5)
Capital reserves and premium to CET1 instruments	4,430
Retained earnings and other reserves	1,673
Common equity tier 1 (before deductions)	6,991
Net loss for the year	(801)
Intangible fixed assets/goodwill	(40)
Provision shortage for IRB positions	(70)
Deduction securitizations	(121)
Common equity tier 1 (after deductions)	5,959
Additional tier 1	0
Tier 1	5,959
Supplementary capital	3,519
Less own supplementary capital	(6)
Provision excess of internal rating approach positions	92
Tier 2 (after deductions)	3,604
Total capital	9,563
Total risk exposure amount (assessment basis)	36,894
Common equity tier 1 capital ratio	16.15%
Tier 1 capital ratio	16.15%
Total capital ratio (transitional)	25.92%
Total capital ratio (fully loaded)	25.92%
Common equity tier 1 capital ratio (fully loaded)	16.03%

Total capital requirement

in € million	31/12/2014
Total risk exposure amount (assessment basis)	36,894
Total capital requirement for credit risk	2,339
Internal rating approach	1,843
Standardized approach	462
CVA risk	34
Basel I - Floor	278
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	119
Total capital requirement for operational risk	215
Total capital requirement	2,952

in € million	31/12/2014
Risk-weighted assets according to standardized approach	462
Banks	1
Corporate customers	1
Equity exposures	415
Other positions	44
Risk-weighted assets according to internal rating approach	1,843
Central governments and central banks	5
Banks	549
Corporate customers	1,005
Equity exposures	264
Securitization position	20
CVA risk	34
Basel I - Floor	279
Total capital requirement for credit risk	2,339

Per cent	31/12/2014
Leverage ratio (fully loaded)	8.00%
Risk weighted assets in per cent of total assets	60.79%

Eligible total capital under Section 23(14) BWG (old version) amounted to € 10,051.3 million in 2013. They included total capital under Section 23 (14) Z 7 BWG (old version) of € 167.4 million.

Required total capital under Section 22 (1) BWG (old version) amounted to € 2,833.7 million in 2013. They included required total capital of € 2,666.2 under Section 22 (1) Z 1 and 4 BWG (old version).

Additional notes

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108h (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2014, the volume of these guarantees was € 1.912 million (2013: € 2,254 million).

As at 31 December 2014, RBI AG also issued capital guarantees in connection with structured financial products, with a guarantee volume of € 54 million (2013: € 158 million).

RBI AG is a member of the *Raiffeisen-Kundengarantiegemeinschaft Österreich* (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honoring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equaling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The liability was met by inserting a noted item of one euro off the statement of financial position, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

As at 31 December 2014, soft letters of comfort in the amount of € 1,109.0 million had been issued.

The volume of liabilities to affiliated companies amounted to € 3,850.7 million as at 31 December 2014 (31/12/2013: € 4,320.2 million).

Open capital commitments on share capital in the amount of € 5.6 million (31/12/2013: € 4.0 million) exist vis-à-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities of RBI AG of € 8,558.4 million were reported as at 31 December 2014 (31/12/2013: € 9,531.0 million) below the line. Of that amount, € 7,701.1 million (31/12/2013: € 8,007.2 million) were attributable to guarantees and € 795.2 million (31/12/2013: € 1,456.8 million) to letters of credit.

As at 31 December 2014, € 13,456.2 million (31/12/2013: € 11,124.5 million) in credit risks was reported under liabilities off the statement of financial position. In the reporting year, credit risks are fully attributable to unused, irrevocable credit lines.

There are no other transactions with considerable risks or benefits that are not reported in or off the statement of financial position.

Total assets and liabilities in foreign currency:

in € million	31/12/2014	31/12/2013
Assets in foreign currency	17,170.3	16,641.7
Liabilities in foreign currency	18,684.2	13,207.1

Subordinated assets contained under assets:

in € million	31/12/2014	31/12/2013
Loans and advances to credit institutions	1,630.2	924.1
hereof to affiliated companies	1,596.8	890.7
hereof to companies linked by virtue of a participating interest	1.6	1.6
Loans and advances to customers	232.5	183.2
hereof to affiliated companies	6.8	6.8
hereof to companies linked by virtue of a participating interest	0.0	0.0
Debt securities and other fixed-income securities	34.1	18.5
hereof from affiliated companies	0.0	2.7
hereof from companies linked by virtue of a participating interest	0.0	0.0
Shares and other variable-yield securities	90.5	21.0
hereof from affiliated companies	70.2	0.6
hereof from companies linked by virtue of a participating interest	0.0	0.0

Open forward transactions as at the reporting date are listed in Annex 2 to the Notes.

The derivative financial instruments listed in Annex 2 are recognized in the statement of financial position at fair value:

Derivatives in € million	Positive fair values		Negative fair values	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Derivatives in the trading book				
a) Interest rate contracts	3,491.4	2,683.8	3,219.5	2,514.7
b) Foreign exchange rate contracts	1,547.3	635.7	1,557.8	580.8
c) Share and index contracts	0.1	0.0	43.4	54.3
d) Credit derivatives	18.1	10.3	17.4	8.7
e) Other derivatives	2.1	0.1	2.2	7.8
Derivatives in the banking book				
a) Interest rate contracts	0.0	0.0	40.6	34.1

As at the reporting date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

in € million	31/12/2014	31/12/2013
Indemnification for securities lending transactions	378.2	2,281.9
Loans assigned to OeKB	3,114.5	1,973.9
Loans assigned to EIB	129.0	208.1
Loans assigned to KfW	17.6	7.6
Loans assigned to SEK	77.5	0.0
Trust deposit for foreign credit institutions	10.6	0.0
Margin requirements	83.2	206.0
Cover pool for partial debentures issued	1,272.4	1,049.2
Treasury call deposits for contractual netting agreements	1,464.5	745.1
Total	6,547.4	6,471.8

For the following financial instruments within financial assets, the fair value is lower than the book value:

Financial investments	Carrying amount		Carrying amount	
	31/12/2014	31/12/2014	31/12/2013	31/12/2013
in € million				
1. Treasury bills and other bills eligible for refinancing with centralbank	83.2	83.1	0.0	0.0
1. Loans and advances to credit institutions	66.5	62.9	51.5	49.6
2. Loans and advances to customers	0.0	0.0	88.3	87.6
3. Debt securities and other fixed-income securities				
a) issued by public bodies	33.1	33.0	0.0	0.0
b) issued by other borrowers	90.2	89.8	87.8	86.1
4. Shares and other variable-yield securities	90.0	65.7	0.0	0.0
Total	363.0	334.5	227.6	223.4

An impairment (in accordance with Section 204 (2) 2 of the Austrian Commercial code UGB) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Notes to the income statement

Breakdown of income by geographic market in accordance with Section 64 (1) 9 BWG

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

2014 in € million	Total	Austria	Rest of the world	Asia
Interest receivable and similar income	1,360.0	1,171.7	0.0	188.3
hereof: from fixed-income securities	116.3	115.4	0.0	0.9
Income from variable-yield securities and participations	395.2	290.3	103.4	1.5
Commissions receivable	232.5	223.3	0.8	8.4
Net profit or net loss on financial operations	29.4	40.2	0.1	(10.9)
Other operating income	188.6	182.6	0.4	5.5

2013 in € million	Total	Austria	Rest of the world	Asia
Interest receivable and similar income	1,436.4	1,213.6	0.0	222.8
hereof: from fixed-income securities	126.0	124.7	0.0	1.3
Income from variable-yield securities and participations	773.6	624.0	149.2	0.4
Commissions receivable	238.2	227.5	0.2	10.5
Net profit or net loss on financial operations	28.0	19.8	0.0	8.2
Other operating income	116.8	116.3	0.2	0.2

Other operating income includes staff and administrative expenses passed on for services in the amount of € 119.6 million (2013: € 91.4 million), income from releases of contingent provisions from derivatives in the amount of € 23.8 million (2013: 10.7 million), as well as other income from previous periods in the amount of € 10.9 million (2013: € 9.3 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 11.2 million (2013: € 5.7 million) in expenses for severance payments.

The sundry operating expenses increased by € 52.7 million to € 90.9 million in the reporting year. In this position allocation in the amount of € 30.4 million (2013: 6.0 million) for contingent losses for bank book derivatives are included.

Net income/expense from the disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations includes write-downs of the book values of Raiffeisen Bank Aval JSC, Kiev (€ 733.6 million), RBI IB Beteiligungs GmbH, Vienna (€ 100.3 million), Fario Handels- und Beteiligungsgesellschaft m.b.H., Vienna (€ 25.0 million) and Raiffeisen Banka d.d., Maribor (€ 16.6 million). In total, losses of € 879.0 million (2013: € 103.4 million) on the valuation of shares in affiliated companies and equity participations are reported.

The company has been a Group member of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna in accordance with Section 9 of the Corporation Tax Act (KStG) since 2005.

On the basis of a tax allocation agreement, loss carry-forwards that are economically attributable to banking operations split off from RZB may be utilized by RBI. For financial year 2014, a tax allocation of € 0.0 million (2013: income of € 45.0 million from tax allocation) was attributed to RBI.

The overall return on assets (net loss or profit after tax divided by total assets as at the reporting date) was negative in 2014 (2013: 0.8%).

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2014 financial year the company had an average of 2,093 employees (2013: 2,056).

Expenses for severance payments and pensions broke down as follows:

Values in € thousand	Pension expenditure		Severance payments	
	2014	2013	2014	2013
Members of the managing board and senior staff	3,070	(23)	1,361	2,577
Employees	6,127	2,291	10,004	5,188
Total	9,197	2,267	11,365	7,765

Management Board

The Management Board of RBI AG is as follows:

Members of the Management Board	First assignment	End of period
Karl Sevelda, Chairman ¹	22 September 2010 ¹	30 June 2017
Johann Strobl, Deputy Chairman ⁴	22 September 2010 ¹	30 June 2017
Aris Bogdaneris	1 October 2004	31 December 2015
Klemens Breuer	16 April 2012	31 December 2015
Martin Gröll	3 January 2005	30 June 2017
Peter Lennkh	1 October 2004	31 December 2015

¹ Effective as of 10 October 2010.

Supervisory Board

The Supervisory Board of Raiffeisen Bank International AG is as follows:

Members of the Supervisory Board	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2016
Erwin Hameseder, 1st Deputy Chairman	8 July 2010 ¹	AGM 2015
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2017
Markus Mair, 3rd Deputy Chairman	8 July 2010 ¹	4 June 2014
Martin Schaller, 3rd Deputy Chairman	4 June 2014	AGM 2019
Klaus Buchleitner	26 June 2013	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2014
Bettina Selden	4 June 2014	AGM 2019
Kurt Geiger ²	9 June 2009	AGM 2019
Günther Reibersdorfer	20 June 2012	AGM 2017
Johannes Schuster	8 July 2010 ¹	AGM 2015
Christian Teufl	8 July 2010 ¹	31 December 2014
Martin Prater ³	10 October 2010	Until further notice
Rudolf Kortenhof ³	10 October 2010	Until further notice
Peter Anzeletti-Reikl ³	10 October 2010	Until further notice
Suanne Unger ³	18 January 2012	Until further notice
Helge Rechberger ³	10 October 2010	Until further notice

¹ Effective as of 10 October 2010.

² Geiger was again elected as member of the Supervisory Board in the Annual General Meeting held on 4 June 2014.

³ Staff council delegates.

Committees of the Supervisory Board

The committees of the Supervisory Board of RBI AG are as follows:

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee	Risk Committee	Nomination Committee
Walter Rothensteiner	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Heinrich Schaller	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair (til 4 June 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	-	-
Martin Schaller (since 17 September 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Johannes Schuster	Member	Member	Member	Member	Member	Member
Martin Prater	Member	Member	-	Member	Member	Member
Rudolf Kortenhof	Member	Member	-	Member	Member	Member
Peter Anzeletti-Reikl	Member	Member	-	Member	Member	Member

Project Committee:

In the meeting held on 21 January 2014, the Supervisory Board established a temporary Project Committee for further resolution in concerns regarding the capital increase of RBI AG. The members were the following: Walter Rothensteiner, Erwin Hameseder, Heinrich Schaller, Johannes Schuster, Martin Prater and Rudolf Kortenhof. The Project Committee was especially authorized to decide on the approval for determining the volume of the capital increase, the shareholder's subscription rights and the subscription and offer price and work out the related adaptations to the articles of incorporation. After arranging the relevant decisions the activity of the Project Committee was finished as at 10 February 2014.

State Commissioners:

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

Remuneration of the Management Board

The following remuneration was paid to the Management Board of RBI AG:

in € thousand	2014	2013
Fixed remunerations	5,101	5,478
Bonus (performance-based)	2,798	2,947
Share-based remuneration (performance-based)	0	0
Payments to pension funds and reinsurance policies	332	245
Other remunerations	1,771	768
Total	10,002	9,438
hereof remuneration of affiliated companies	1,609	155

The fixed remunerations shown in the table contain salaries and benefits in kind.

The performance-based components of the Management Board's remuneration generally cover bonus payments and share-based compensation under the Share Incentive Program (SIP). The bonuses reported above are bonuses for 2013 and previous years. In 2014, no share-based remuneration was awarded because the duration of the program was extended to five years in 2011 in accordance with the statutory requirements.

Bonus calculation is linked to the achievement of the Group objectives regarding profit after tax, return on risk adjusted capital (RORAC), cost/income ratio and to the achievement of personal objectives that are agreed upon annually. Payment is done according to the current regulations of the Austrian Banking Act (BWVG), executed in the internal regulations (see employee compensation plans under the chapter recognition and measurement principles).

Other remuneration covers remuneration for functions in the boards of affiliated subsidiaries, payments to pension funds and reinsurances, other insurance policies and grants.

Compared to 2013, the stated amounts of fixed and performance-based remuneration are distorted by one-off effects caused, among other things, by the fixed remuneration of a retired member of the Management Board.

To former members of the Management Board and to their surviving dependants € 103 thousand (2013: € 0 thousand) was paid.

Share-based remuneration

The management board decided to assess the benefit and purpose of the share-based remuneration due to increasing complexity of regulations concerning variable remuneration. Originally, the SIP was set up as variable long-term remuneration element with reference to the market and the company's success. It became less important because the annual bonus for the same target group of top management is deferred over three to five years and one half is paid in instruments (e.g. shares). Therefore, it was decided that there will be no SIP issues in the future. In 2014, no tranche of the share incentive program matured because no tranche of the SIP program was issued in 2010. Moreover, in 2011 the maturity of the SIP program was extended to five years in accordance with legal regulations. Therefore the next tranche will not mature before 2016.

Under the SIP program new tranches have been issued in 2011, in 2012 and in 2013. On the reporting date, contingent shares for three allotments were assigned. As at 31 December 2014, the contingent allotment of shares amounted to 975,955 (of which 212,796 shares were attributable to the 2011 allotment, 402,209 shares to the 2012 allotment and 360,950 shares to the 2013 allotment). The originally announced number of contingently allotted shares changed due to various personnel changes within Group units. This is shown on an aggregated level in the following table:

Share incentive program (SIP) 2011 -2013 Group of persons	Number of contingently allotted shares as at 31/12/2014	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	331,707	99,513	497,561
Members of the management boards of bank subsidiaries affiliated with the company	409,539	122,862	614,309
Executives of the company and other affiliated companies	234,709	70,413	352,064

In the financial year 2014, no shares were bought back for the share incentive program.

Remuneration of members of the Supervisory Board

in € thousand	2014	2013
Remunerations Supervisory Board	550	550

The Annual General Meeting held on 4 June 2014 decided an annual remuneration for the members of the Supervisory Board of € 550 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 4 June 2014 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees are not paid.

Thus, in the financial year, € 550 thousand (2013: € 550 thousand) was paid to the members of the Supervisory Board.

Moreover, no contracts subject to approval in the meaning of Section 95 (5) item 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2014.

Vienna, 9 March 2015

The Management Board



Karl Sevelda



Johann Strobl



Aris Bogdaneris



Klemens Breuer



Martin Grill



Peter Lennkh

Annex 1: Statement of fixed assets

Values in € thousand		Cost of acquisition or conversion					Writing up/depreciation/revaluation							Carrying amount		
Item	Description of fixed assets	As of 1/1/2014	Exchange differences	Additions	Disposals	Reclassification	As of 31/12/2014	Cumulative depreciation as of 1/1/2014	Exchange differences	Cumulative depreciation and amortization disposal	Write- ups	Depreciation	Reclassifi- cation	Cumulated depreciation as of 31/12/2014	31/12/2014	31/12/2013
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Treasury bills and other bills eligible for refinancing with central banks	339,572		2,307,703	(18,786)	89,644	2,718,133	20,412		(9,146)	2,312	(8,769)	314	5,123	2,723,257	359,984
2.	Loans and advances to credit institutions	61,207	1,337	35,242	(243)		97,543	(7,313)	(1,012)	(36)	72			(8,289)	89,254	53,894
3.	Loans and advances to customers	386,269	11,255	174,972	(143,339)	(48,335)	380,822	(2,293)		56	28		8	(2,201)	378,622	383,976
4.	Debt securities and other fixed-income securities	882,372	4,145	360,109	(476,158)	(41,309)	729,159	(39,521)	(1,028)	(7,563)	1,424	(1,186)	(323)	(48,197)	680,962	842,851
a)	issued by public bodies	6,460		33,082			39,542	716			162	(3)		875	40,417	7,176
b)	own debt securities	0					0	0						0	0	0
c)	issued by other borrowers	875,912	4,145	327,027	(476,158)	(41,309)	689,617	(40,237)	(1,028)	(7,563)	1,262	(1,183)	(323)	(49,072)	640,545	835,675
5.	Shares and other variable-yield securities	31,262		70,000	(11,262)		90,000	0						0	90,000	31,262
6.	Participating interests	26,336		766			27,102	(6,713)						(6,713)	20,389	19,623
7.	Shares in affiliated undertakings	9,765,738		479,486	(382,525)		9,862,699	(867,564)		19,544		(889,942)		(1,737,962)	8,124,738	8,898,174
8.	Intangible fixed assets	268,405	724	11,575	(48,104)		232,600	(223,173)	(244)	47,420		(17,122)		(193,119)	39,481	45,232
9.	Tangible assets	26,328	971	1,919	(5,356)		23,862	(18,873)	(673)	4,684		(2,277)		(17,139)	6,724	7,455
10.	Other assets	126					126	0						0	126	126
Total		11,787,615	18,432	3,441,772	(1,085,773)	0	14,162,046	(1,145,038)	(2,957)	54,959	3,836	(919,296)	(1)	(2,008,497)	12,153,553	10,642,577

Annex 2: Open forward transactions

Name	Nominal amount by maturity in € thousand				hereof trading book	Market value	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total		positive	negative
Total	90,830,728	79,852,854	47,833,092	218,516,674	165,350,178	6,446,208	(5,685,660)
a) Interest rate contracts	36,351,202	64,766,521	44,005,196	145,122,919	108,793,423	4,562,404	(3,605,242)
OTC products							
Interest rate swaps	25,953,365	57,556,723	39,646,022	123,156,110	90,075,838	4,377,585	(3,424,717)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	5,100,010	1,045,158	0	6,145,168	5,288,548	4,015	(5,287)
Interest rate options - buy	945,905	2,864,063	1,959,025	5,768,993	5,351,197	179,847	0
Interest rate options - sell	1,024,444	3,236,077	2,290,378	6,550,899	6,461,486	0	(173,689)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	1,022,480	64,500	109,771	1,196,751	1,196,751	705	(1,137)
Interest rate options	2,304,998	0	0	2,304,998	419,603	252	(412)
b) Foreign exchange rate contracts	54,342,416	13,422,056	3,575,282	71,339,754	54,916,364	1,863,500	(2,017,659)
OTC products							
Cross-currency interest rate swaps	6,534,426	12,420,411	3,565,657	22,520,494	9,282,297	784,003	(922,248)
Forward foreign exchange contracts	45,055,626	598,343	9,625	45,663,594	42,498,401	1,042,488	(1,053,683)
Currency options - purchased	1,219,532	201,490	0	1,421,022	1,401,022	37,009	0
Currency options - sold	1,532,832	201,812	0	1,734,644	1,734,644	0	(41,728)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	75,600	128,200	252,614	456,414	50,804	1,834	(44,989)
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	75,600	112,000	204,810	392,410	3,000	1,834	0
Equity/Index options -sell	0	16,200	47,804	64,004	47,804	0	(44,989)
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	4,091	0	0	4,091	4,091	360	(375)
OTC products							
Commodity forward transactions	4,091	0	0	4,091	4,091	360	(375)
Exchange-traded products							
Commodity futures	0	0	0	0	0	0	0
e) Credit derivative contracts	57,419	1,536,077	0	1,593,496	1,585,496	18,110	(17,395)
OTC products							
Credit default swaps	57,419	1,536,077	0	1,593,496	1,585,496	18,110	(17,395)

Open forward transactions

Name	Nominal amount by maturity in € thousand				hereof trading book		Market value	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	positive	negative		
Total	75,210,784	67,654,996	43,958,095	186,823,875	152,332,140	4,111,010	(3,492,916)	
a) Interest rate contracts	33,298,430	54,171,559	40,871,217	128,341,206	101,770,749	3,396,265	(2,767,580)	
OTC products								
Interest rate swaps	27,906,044	48,019,404	36,147,102	112,072,550	86,366,961	3,229,662	(2,598,048)	
Floating Interest rate swaps	0	0	0	0	0	0	0	
Interest rate futures	3,310,871	0	0	3,310,871	3,310,871	3,147	(3,085)	
Interest rate options - buy	948,691	2,669,442	2,012,651	5,630,784	5,139,801	158,022	0	
Interest rate options - sell	724,477	2,975,379	2,547,447	6,247,303	6,142,303	0	(165,617)	
Other similar interest rate contracts	0	0	0	0	0	0	0	
Exchange-traded products								
Interest rate futures	408,347	507,334	124,017	1,039,698	770,813	5,160	(830)	
Interest rate options	0	0	40,000	40,000	40,000	274	0	
b) Foreign exchange rate contracts	41,666,071	11,921,722	2,742,768	56,330,561	48,839,854	696,200	(653,023)	
OTC products								
Cross-currency interest rate swaps	6,039,837	11,332,032	2,720,101	20,091,970	13,432,901	311,921	(345,558)	
Forward foreign exchange contracts	33,432,015	449,755	22,667	33,904,437	33,073,936	360,149	(283,379)	
Currency options - purchased	1,082,848	69,861	0	1,152,709	1,151,573	24,130	0	
Currency options - sold	1,111,371	70,074	0	1,181,445	1,181,444	0	(24,086)	
Other similar interest rate contracts	0	0	0	0	0	0	0	
Exchange-traded products								
Currency contracts (futures)	0	0	0	0	0	0	0	
Currency options	0	0	0	0	0	0	0	
c) Securities-related transactions	0	122,350	344,110	466,460	60,850	50	(55,752)	
OTC products								
Securities-related forward transactions	0	0	0	0	0	0	0	
Equity/Index options -buy	0	122,350	286,260	408,610	3,000	50	0	
Equity/Index options -sell	0	0	57,850	57,850	57,850	0	(55,752)	
Exchange-traded products								
Equity/Index futures	0	0	0	0	0	0	0	
Equity/Index options	0	0	0	0	0	0	0	
d) Commodity contracts	130,525	8,100	0	138,625	136,166	8,170	(7,840)	
OTC products								
Commodity forward transactions	128,066	8,100	0	136,166	136,166	8,170	(7,840)	
Exchange-traded products								
Commodity futures	2,459	0	0	2,459	0	0	0	
e) Credit derivative contracts	115,758	1,431,265	0	1,547,023	1,524,521	10,325	(8,721)	
OTC products								
Credit default swaps	115,758	1,431,265	0	1,547,023	1,524,521	10,325	(8,721)	

Annex 3: List of investments

Affiliated companies

Company, registered office (country)	Total nominal value in currency	Direct share of RBI	Equity in € thousand	Result in € thousand ¹	From annual financial statements ²
BAILE Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna ²	40,000 EUR	100%	200,478	(8)	31/12/2014
BUXUS Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000 EUR	100%	22	(5)	31/12/2013
Centralised Raiffeisen International Services & Payments S.R.L., RO(020335) Bucharest ³	2,820,000 RON	100%	2,321	1,512	31/12/2014
CP Projekte Muthgasse Entwicklungs GmbH, A(1060) Vienna	40,000 EUR	0%	23,797	(1)	31/12/2013
Eastern European Invest Holding GmbH, A(1030) Vienna ²	35,000 EUR	100%	72,113	(7)	31/12/2014
Extra Year Investments Limited, VG-Tortola	50,000 USD	100%	0	0	31/12/2010
FARIO Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000 EUR	100%	5,482	84	31/12/2013
Golden Rainbow International Limited, VG-Tortola ³	1 USD	100%	19,161	(15)	31/12/2014
Kathrein Privatbank Aktiengesellschaft, A(1010) Vienna ²	20,000,000 EUR	0%	27,060	542	31/12/2014
KIWANDA Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000 EUR	100%	23	(4)	31/12/2013
LOTA Handels- und Beteiligungs-GmbH, A(1030) Vienna ²	35,000 EUR	100%	855	(5)	31/12/2014
NAURU Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000 EUR	100%	128	96	31/12/2013
P & C Beteiligungs Gesellschaft m.b.H., A(1030) Vienna	36,336 EUR	100%	31	(6,453)	31/12/2013
R.L.H. Holding GmbH, A(1030) Vienna ²	35,000 EUR	100%	1,476	(129)	31/12/2014
Raiffeisen Bank Aval JSC, UA(01011) Kyiv ³	3,002,774,908 UAH	96%	255,336	(263,347)	31/12/2014
Raiffeisen Bank Polska S.A., PL(00,549) Warschau ³	2,256,683,400 PLN	100%	1,412,963	75,129	31/12/2014
Raiffeisen Banka d.d., SI(02000) Maribor ³	46,824,564 EUR	97%	53,028	(21,228)	31/12/2014
Raiffeisen Research GmbH, A(1030) Vienna	55,000 EUR	100%	19	(41)	31/12/2013
Raiffeisen RS Beteiligungs GmbH, A(1030) Vienna ²	35,000 EUR	100%	5,143,591	332,501	31/12/2014
Rail-Rent-Holding GmbH, A(1030) Vienna	40,000 EUR	60%	173	(4)	31/12/2013
RB International Finance (Hong Kong) Ltd., HK-Hong Kong ³	10,000,000 HKD	100%	14,320	8,585	31/12/2014
RB International Finance (USA) LLC, USA-NY 10036 New York ³	1,510,000 USD	100%	37,611	15,163	31/12/2014
RB International Investment Asia Limited, MY-Labuan	1 EUR	100%	17,938	(101)	31/12/2014
RB International Markets (USA) LLC, USA-New York, NY 10036	8,000,000 USD	100%	8,580	433	31/12/2014
RBI KI Beteiligungs GmbH, A(1030) Vienna ²	48,000 EUR	100%	107	(19)	31/12/2014
RBI LEA Beteiligungs GmbH, A(1030)-Vienna ²	70,000 EUR	100%	74,968	(8)	31/12/2014
RBI PE Handels- und Beteiligungs GmbH, A(1030) Vienna ²	150,000 EUR	100%	49,218	66	31/12/2014
RAIFFEISEN TRAINING CENTER LTD., HR(10,000) Zagreb ⁵	539,465 EUR	100%	4,606	441	31/12/2014
RI Eastern European Finance B.V., NL(1076) AZ Amsterdam	400,000 EUR	100%	13,987	(1,619)	31/12/2013
RL Leasing Gesellschaft m.b.H., D(65760) Eschborn ³	50,000 DEM	25%	674	1	31/12/2013
RSC Raiffeisen Service Center GmbH, A(1190) Vienna ²	2,000,000 EUR	52%	3,158	1,028	31/12/2014
RZB Finance (Jersey) III Ltd, JE-St. Helier ³	1,000 EUR	100%	74	(20)	31/12/2014
RZB Finance (Jersey) IV Limited, JE-St. Helier ³	2,000 EUR	100%	152	(1)	31/12/2014
RBI IB Beteiligungs GmbH, A(1030) Vienna ²	35,000 EUR	0%	8,804	20,951	31/12/2014
Stadtpark Hotelreal GmbH, A(1030) Vienna	6,543,000 EUR	1%	4,689	4,982	31/12/2013
Tatra Leasing s r.o., SK(811) 06 Bratislava ³	6,638,784 EUR	1%	37,312	4,876	31/12/2014
Ukrainian Processing Center PJSC, UA(04073) Kyiv ³	180,000 UAH	100%	11,221	6,960	31/12/2014
ZHS Office- & Facilitymanagement GmbH, A(1030) Vienna ²	36,336 EUR	1%	252	323	31/12/2014

¹ The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).

² For the fully consolidated domestic companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

³ For the fully consolidated foreign companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

Management report

Development of the banking sector

Moderate growth and increasing divergence in CEE

Supported by slightly better economic indicators in the second half of 2014, as well as expansionary monetary policy measures and improved growth expectations in CE and SEE, credit growth in both of these regions moderately increased in 2014. This trend should continue in 2015. As a result, non-performing loans (NPLs) also stabilized – or in some cases already peaked – in many CE and SEE countries in 2014. Romania held its first notable NPL portfolio auctions in 2014. However, NPLs remained at high levels, notably in banking markets in SEE, which will weigh on the performance of banking sectors for a continued period. The banking environment in Russia and Ukraine sharply deteriorated in 2014, and the outlook for 2015 remains difficult. Credit growth weakened significantly in both markets, due in part to increasingly difficult local refinancing conditions (lower deposit growth, higher refinancing costs). Nevertheless, credit growth in the Russian banking sector remained in the upper double-digit range in 2014, the liquidity situation continues to be solid, and profitability (return on equity) was also still in the solid double-digit percentage range in 2014. As a result, barring a material deterioration of the geopolitical situation and financing conditions, the Russian banking sector should also remain profitable in 2015. In contrast, the Ukrainian banking sector posted a loss in 2014, and 2015 could also turn out to be another loss-producing year. The earnings situation of Western European banks operating in the region is also negatively impacted by ongoing currency weaknesses in Russia, Ukraine and Belarus.

The highly different regional trends in CEE with respect to asset quality and credit growth are also clearly reflected in divergent profitability ratios of the regional banking sectors. For example, profitability indicators of the CE banking sector remained at encouragingly robust levels, i.e. the average return on equity was in the lower double-digit percentage range in 2014. One exception was Hungary, where the earnings power of the banking sector was negative once again as a result of regulatory measures, however conditions should improve here. Although the Russian bank market suffered somewhat of a decline in profitability in 2014 compared to the previous year, it still boasted one of the highest returns on equity in the CEE region at roughly 13 per cent in 2014. In SEE, profitability was low again in 2014, partly attributable to weak credit demand in new business and, in some cases, still slightly increasing NPLs. The average return on equity in this region was in the low single-digit percentage range, roughly on a par with the eurozone level. Despite the positive trends in a number of CEE markets, overall, the average return on equity in the banking sector for the region remains below past levels. This trend is primarily driven by rising regulatory costs, increased equity ratios and costs, a higher degree of local refinancing, and limited opportunities to transform the risk and yield curve owing to the low interest rate environment. The outlook for a prolonged continuation of the current low interest rate environment in major CE and SEE markets, as well as the deterioration of earnings prospects in the Russian banking sector, suggests that the return on equity for the CEE banking sector will not significantly improve in 2015.

Development of the banking sector in Austria

In 2014, European banks were affected by the weak economic growth, low profitability, higher net provisioning for impairment losses and low interest rates. Austrian banks were not immune from these developments, either. In the first half of 2014, consolidated net income for the period after taxes and minority interests was negative at minus € 0.59 billion. This represents a decline of € 1.7 billion on the first half of 2013. Strong pressures were notably felt due to the effects of the continuing low interest rates and in connection with the planned sale of international subsidiaries of Hypo Alpe-Adria and high impairments of another major bank.

CEE business remains an important success factor for Austrian banks. The increased profits of recent years, especially in the Czech Republic, Slovakia and Russia underscore the relevance of a sustainable growth strategy in the region. In the first half of 2014, the CEE subsidiaries of Austrian banks generated an overall net profit of € 1 billion.

Although the capitalization of Austrian banks has improved continuously since 2008, it is still below the average for comparable European banks. Austrian banks will need to continue to build up capital, especially as regards their risk profile (e.g. exposure in CEE, portfolio of foreign currency loans), the challenging economic situation and the low interest rates. Added to this are higher market expectations with regard to capitalization and more stringent regulatory requirements. The liquidity situation of the Austrian banks has shown further improvement, with the increase in the volume of deposits in CEE helping strengthen the refinancing basis of the Austrian subsidiaries. This development is in line with the Supervisory Guidance on Strengthening the Sustainability of the

Business Models of Large Internationally Active Austrian Banks issued by the National Bank of Austria (OeNB) and the Austrian Financial Market Authority (FMA).

Regulatory environment

2014 was a year of great challenges for the financial sector in Europe; it was characterized by high expenses and burdens for Austrian banks.

Start of the ECB Supervision

On November 4 2014, the ECB took over direct supervision of 123 key banks in the Eurozone. The Single Supervisory Mechanism (SSM) is a new system of banking supervision which comprises the ECB and the respective national competent authorities of participating countries. Its main aims are to contribute to the safety and soundness of the banks and to the stability of the European financial system while ensuring uniform supervision. As one of these 123 banks, that represents 82 per cent of the banking sector (measured by assets) in the euro area – the RBI as subconsolidated institution is subject to direct supervision by the ECB. RBI expects – in addition to significantly raised reporting requirements – an increased presence of regulatory topics with strategic relevance.

One of the key focal points in the reporting year was the changes pertaining to the SSM, notably the associated Comprehensive Assessment by the ECB, which included an Asset Quality Review and a Europe-wide stress test. The tests conducted by the ECB had a massive impact on the Group's financial resources due to the scope and duration, and the intensive exchange with authorities and external auditors.

Banking Union

As early as July 2013, the European Commission presented its ideas for a Single Resolution Mechanism for the euro area. This is intended to supplement the Single Supervisory Mechanism (SSM). As a second pillar of the Banking Union, the Single Resolution Mechanism (SRM) is intended to ensure that banks which face difficulties can be resolved with lower costs and that a Single Resolution Fund is available for such cases.

The directive proposal concerning bank reorganization and bank liquidation within the European Banking Union provides for extended possibilities of the supervisor in case of a crisis situation, the creation of national funds for resolution of systemic banks and the interference with creditor rights. The proposal addresses sensitive aspects like funding and structure of these funds as well as their target size. The Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) came into force on 1 January 2015.

Deposit Guarantee Systems - DGS

The Deposit Guarantee Directive was published in the Official Journal of the EU in 2014 and is to be implemented in Austrian law by July 2015. The directive concerns the establishment of a Deposit Protection Fund, which is fed by contributions from credit institutions. The targeted volume amounts to 0.8 per cent of covered deposits. The implementation act was not available at the reporting date. Neither the structure, nor the timing, of the first contribution payments by credit institutions are known, therefore, the exact expense in Austria for RZB can not be quantified.

Business performance at Raiffeisen Bank International AG

Business development

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For some 25 years, RBI AG has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 15 markets. As a universal bank, RBI AG ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely

recognized brands in the region. RBI AG has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering, and thus profits from the extensive potential of the region. At the end of 2014, around 52,000 RBI AG staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers as well as major multinational clients operating in CEE. Moreover, RBI AG is represented in the world's financial centers and operates branches and representative offices in Asia. All in all, RBI AG employs about 55,000 staff and has total assets of approximately € 122 billion.

Corporates

The Corporates Segment manages Austrian and international corporate customers. In addition to Austria's largest companies, these include Western European corporate customers with business activities in Central and Eastern Europe, large corporate customers from Central and Eastern Europe and internationally active raw materials and trading companies.

In addition, in Asia, the branches in Singapore, China and Malaysia and also the finance company in Hong Kong are mainly involved in trade finance business. The finance company in the USA focuses on selected products for niche business.

The successfully established "Global Account Management System" offers RBI AG's numerous international clients a customer service that is coordinated across the entire Group and – in conjunction with specialized product experts – a comprehensive product portfolio across the whole network.

In the 2014 fiscal year, a key focus for Austria involved optimizing structures and procedures with a view to exploiting business potential with customers as far as possible while at the same time utilizing potentials for synergies and increases in efficiency. The business segments Corporate Customers and Network Corporate Customers & Support were merged into a new division, "Corporate Customers", which now pools Group-wide relationship management of all clients. In addition, industry expertise was expanded in order to further strengthen the industry-specific approach to customer service.

The establishment of a separate product division for Trade Finance and Transaction Banking pooled product expertise in export finance, guarantee and L/C business as well as cash management in order to maximize exploitation of cross-selling potential while at the same time further optimizing the cost/income ratio.

In Corporate Finance, which combines project and real estate finance, subsidized investment financing and public finance, the focus is on structuring complex, Group-wide finance.

In addition to carefully targeted use of strategic sales instruments (Group Account Planning) at Group level, associated sales initiatives were successfully continued, for example in Trade Finance and Investment Banking and Capital Markets.

Despite the challenging economic and geopolitical environment, the result in terms of income was comparable with previous years. In the past fiscal year, both Corporate Finance and also Capital Markets played a key role in the positive performance. In addition, RBI further consolidated its position as a leading player in the debt capital markets segment, especially due its key role in the issue of bonded loans and Austrian senior bond issues.

However, business development in the past fiscal year was negatively affected by the risk result. Alongside average development in risk events among Austrian clients, it was necessary to form higher net provisions for impairment losses for Central and Eastern European clients and for Asian business.

Financial Institutions & Sovereigns

For Financial Institutions & Sovereigns, large parts of the 2014 fiscal year were shaped by the conflicts between Russia, Ukraine and the EU and by the negative influences on the markets in the CEE/CIS region created by the sanctions. Business development was also affected by the ECB's zero interest rate policy and by its massive provision of liquidity.

As in the previous years, sales activities for Financial Institutions & Sovereigns in 2014 focused on equity and liquidity-preserving banking products. Here, it is important to emphasize the mandates for capital market transactions of major European banks, which were very successfully placed, and also asset-based finance business, which showed further favorable development. Alongside capital market transactions, capital-preserving products in trade financing and payment transactions again made a significant contribution to business performance. Here, the crisis between Russia and Ukraine was reflected in an increased hedging requirement for exports. The consequences of the EU's sanctions against Russia were also visible in the form of an increased need to analyze individual transactions in order to avoid breaching sanctions, and in the withdrawal from individual areas of business which cannot be serviced at the moment because of the sanctions.

However, Financial Institutions & Sovereigns' well-diversified portfolio in terms of clients and markets made it possible to significantly offset the associated negative effects through increased commitment in other regions.

Traditional credit business with financial institutions continued to be shaped by the clear focus on good customer relationships with high cross-selling potential and a corresponding selective choice of transactions.

Capital Markets

During the course of the year, the continuing expansive monetary policy by the major central banks resulted in most industrial nations, including in particular in the USA and countries of the Eurozone, experiencing a significant decline in general yield levels for bonds and falling risk premiums. The currency markets were characterized by a strongly appreciating US dollar, especially in the second half of the year, with simultaneous currency weakness in several emerging markets which reached an extreme in Russia towards the end of the year. Despite this difficult environment, Capital Markets again posted a stable result.

The reorganization of trading responsibilities within the RBI Group was successfully implemented. The establishment of central market makers and combining more complex business within RBI Austria allows us to achieve economies of scale and to respond more efficiently to market changes. In addition, the sale of Capital Markets products was divided into corporate sales and institutional sales and adapted to the specific requirements of each customer group.

Against a backdrop of continuing negative development in money market interest rates, we succeeded in placing attractively designed money market products with corporate customers and institutional customers. Foreign currency trading posted a good result. In Securities Finance, securities lending business was accelerated, with a further reduction in maturities resulting in a predominance of open transactions.

The trend towards electronic trading is continuing within the fixed income segment. Companies used the low interest rates for hedging transactions supported by our tailored advisory services.

Treasury

For medium to long-term refinancing, RBI used the "EUR 25,000,000,000 Debt Issuance Program", which enables bonds to be issued in different currencies and with different structures. The total volume of outstanding bonds under this program may not exceed € 25 billion. At the end of 2014, a total of € 10 billion had been drawn on.

RBI AG again implemented its funding plan promptly in 2014, primarily with low-volume private placements in a total amount of around € 2.9 billion and a weighted maturity of around 5 years. Of this, around € 1.5 billion was placed in the form of bonds, with the remaining amount in the form of long-term deposits. At the beginning of February, RBI AG took advantage of the friendly market environment and issued a further Tier 2 bond worth € 500 million with a coupon of 4.5 per cent and a maturity of 11 years with an initial right of termination after six years. The premium was 330 basis points above Euro mid-swap.

Branches and representative offices

RBI AG operates a total of seven branches – in Frankfurt, London, Singapore, Peking, Xiamen (China), Labuan (Malaysia) and Hong Kong.

Following the transformation of the Frankfurt representative office into a branch office in 2013, RBI further expanded its consulting and structuring services in various forms of receivables financing, as well as its local sales support activities for the RBI Group in its business with subsidiaries of German corporate customers, in particular in Central and Eastern Europe. As a result, in the past financial year RBI was able to win and implement a wide range of receivables financing mandates for customers in RBI's various focus markets. In view of the current economic and political developments, sales support in the corporate customer business has an even higher priority for the RBI Group network and thus satisfies the increasing demand of German SME corporate customers for contact points in Germany.

The branch office in London was founded in 1989 and provides key support for the placement of the RBI Group's capital market solutions. Many international investors are based in London. RBI AG's wealth of unrivaled CEE expertise is of particular interest to these investors. In 2014 as well, new business volumes in primary market transactions were enhanced significantly and additional investor groups were won for RBI AG in the London market. Moreover, the branches have a dedicated corporate desk to support British and Irish corporate customers, notably with regard to their CEE investment.

In Asia, the business development is negatively impacted by high loan loss provisions. To better adapt the business model to the challenging market environment, the focus of the Group's business policy will remain on trade financing. Additional measures cover process optimization and cost savings, both through the planned closure of the Xiamen branch and Harbin representative office and through the organizational streamlining of branch offices.

In addition to its branch offices, RBI AG also operates representative offices in Paris, Stockholm, New York, Mumbai, Seoul, Ho Chi Minh City and China (Zhuhai, Harbin).

In an environment of global economic relations and increasing regulatory requirements, the local expertise of representative offices is a key source of information and acts as a support function for the comprehensive customer service offerings at RBI AG, as well as across the entire network in CEE.

Financial performance indicators

Statement of financial position

Raiffeisen Bank International AG's (RBI AG) total assets decreased € 8.3 billion, or 12.0 per cent, to € 60.7 billion in the 2014 financial year.

On the asset side, the cash reserve sank € 0.1 billion to € 0.6 billion year-on-year as RBI AG invested less in short-term liquidity at the ECB/OeNB. Treasury bills rose € 2.2 billion to € 4.7 billion, largely due to the acquisition of liquid, high-grade European sovereign bonds to financial investments.

Loans and advances to credit institutions declined 35.9 per cent, or € 8.5 billion, to € 15.2 billion in total. The decline was mainly caused by a drop of € 5.0 billion in loans and advances to domestic banks, including € 4.0 billion that was held at RZB AG as a liquidity reserve until mid-December.

Loans and advances to customers fell 4.4 per cent, or € 1.1 billion, to € 24.2 billion. Nearly half of the decline was caused by a reduction of the customer portfolio in Asia. As at year-end, the share of loans and advances to foreign customers remained unchanged at 73 per cent year-on-year.

Debt securities and other fixed-interest securities went down 42 per cent, or € 1.2 billion, year-on-year to € 1.7 billion as a result of the sale and repayment of securities, primarily in current assets. A large portion of this amount was reinvested in high-grade European sovereign bonds that are recognized in financial investments. Shares and other variable-yield securities remained unchanged at € 0.1 billion.

Shares in affiliated undertakings shrank 8.7 per cent, or € 0.7 billion, to € 8.1 billion, mainly due to a write-down on an affiliated subsidiary.

Other assets went up 26.7 per cent, or € 1.2 billion, year-to-year to € 5.9 billion. Trading book derivatives were primarily responsible for this large increase: business expanded during the year under review, which drove up the nominal values of interest and currency derivatives.

On the liabilities side, liabilities to credit institutions sank 28.3 per cent to € 21.2 billion in response to a considerable drop in money market business. The decline includes € 4.0 billion in the liquidity reserve held with RZB AG until mid-December, which in the past was passed on to RBI AG. Another € 2.0 billion comes from RZB AG's decision to invest the Raiffeisen Sector's liquidity reserve in high-grade liquid securities itself instead of going through RBI AG. Liabilities to credit institutions still represent the largest source of refinancing for RBI AG at 35 per cent of total assets. All told, 49 per cent of the liabilities to credit institutions came from domestic banks and 51 per cent from foreign ones.

Liabilities to customers rose € 1.0 billion to € 15.3 billion as of the reporting date, primarily due to the higher volume of money market business. The proportion of liabilities vis-à-vis foreign customers fell year-on-year to 53 per cent.

Securitized liabilities and additional capital according to CRR dropped 13.3 per cent, or € 1.8 billion, year-on-year to € 11.5 billion. The subordinated liabilities of € 3.2 billion presented in the 2013 annual financial statements were reclassified as additional capital according to Part 2, Title I, Chapter 4 of Regulation (EU) No. 575/2013 (€ 2.8 billion), liabilities to customers (€ 0.1 billion) and securitized liabilities (€ 0.3 billion) due to the change to Annex 2 of Article I, Section 43, Part 1 of the Austrian Banking Act (BWVG). Funds raised through new issues amounted to € 1.6 billion in 2014 (2013: € 3.3 billion). In contrast, securitized liabilities shrank € 3.5 billion in 2014 as a result of repayments and retirements. Furthermore, short-term money market certificates in the amount of € 0.5 billion (2013: € 0.4 billion) were outstanding as at the reporting date.

In January 2014, 97,473,914 new shares were issued in a capital increase from authorized capital. The capital increase was carried out in two tranches on January 22 and February 10 while preserving the shareholders' subscription rights. The issuance proceeds of € 2,778 million included a premium of € 2,481 million, which is recognized in committed capital reserves. This strengthened RBI's capital base so that the FMA authorized RBI to pay back all of the participation capital.

All of the participation capital, amounting to € 2.5 billion, was paid back in the financial year. This included € 1.75 billion of participation capital subscribed by the Republic of Austria in 2009 in connection with the Financial Market Stability Law. Since RBI AG earned a net loss for the year, RBI AG will not distribute a dividend on participation capital for financial year 2014 in 2015.

The inception of Basel III dramatically changed the regulations regarding total capital and total capital requirements. Therefore, the figures provided in this report cannot be fully compared to those from previous years. The total amount at risk at the end of 2014 was € 37.2 billion. Of this amount, credit risk accounted for € 28.8 billion and operational risk for € 3.0 billion. RBI AG was also required to hold total capital to cover market risk (€ 1.5 billion), the Basel I floor (€ 3.5 billion) and CVA risk (€ 0.4 million). The total amount at risk dropped around € 2.2 billion year-on-year. Common equity tier 1 (CET1 capital) amounted to € 6.0 billion at the end of 2014 (December 31, 2013: € 6.6 billion) while additional capital amounted to € 3.6 billion (up € 0.3 billion). All in all, total capital totaled € 9.6 billion, a year-on-year reduction of € 0.4 billion. This results in a CET1 ratio and a core capital ratio of 16.2 per cent (2013: 18.7 per cent) and a total capital ratio of 25.9 per cent (2013: 28.4 per cent). The total capital surplus was € 6.7 billion, or € 0.5 billion lower than the year before.

Earnings performance

In financial 2014, Raiffeisen Bank International AG's (RBI AG) net interest income rose 16 per cent, or € 82 million, to € 580 million. This is largely the result of lower interest expenses for own issues and the gradual reduction of excess liquidity.

Income from securities and participating interests dropped € 378 million to € 395 million mainly because income from shares in affiliated undertakings fell 49 per cent, or € 379 million, as affiliated undertakings paid less dividend income in 2014.

The balance of commissions payable and commissions receivable declined € 9.9 million to € 194.7 million. The largest share of the commission earnings came from the guarantee business (40 per cent or € 78.3 million), followed by the securities business (33 per cent or € 64.9 million).

The net profit or net loss on financial operations was a net profit of € 29.4 million, representing a small year-on-year increase of 5 per cent. Most of the increase consisted of net income from the valuation of interest-related derivative transactions and equity- and index-related transactions. This item also included net losses, mainly from capital guarantees.

Other operating income rose € 71.6 million to € 188.5 million. This item included income from various services provided to network banks and RZB AG, the parent company, as well as income from reversing provisions for losses on bankbook derivatives.

Operating income reached € 1,387.7 million, which represents a 14.4 per cent drop from the previous year.

On the other hand, total operating expenses rose 14.3 per cent year-on-year to € 689.4 million. Staff costs fell € 271.8 million to € 268.6 million due to lower expenses for provisions for bonus payments.

Other administrative expenses rose 17.2 per cent, or € 46.5 million, to € 316.3 million. Other administrative expenses consisted mainly of IT expenses, rent, consulting fees and audit fees. They also included € 24.8 million in costs associated with the capital increase in January 2014.

Depreciation, amortization and write-downs of tangible assets and intangible assets decreased € 9.5 million to € 13.6 million.

Other operating expenses at RBI AG rose € 52.7 million to € 90.9 million in 2014, mainly because allocations to provisions for losses on bankbook derivatives went up to € 30.4 million (2013: € 6.0 million).

After deducting operating expenses from operating income, RBI AG obtained an operating result of € 698.3 million for financial 2014. This represents a year-on-year decrease of 31.4 per cent or € 319.4 million.

The cost/income ratio is thus 49.7 per cent (previous year: 37.2 per cent).

Net income/expenses from the disposal and valuation of loans and advances and specific securities ended up being a net expense of € 505.9 million in 2014 (2013: € 307.9 million) as RBI AG recognized higher individual loan loss provisions and higher write-offs on loans and advances of € 518.8 million (2013: € 271.7 million) and € 1.1 million (2013: € 15.7 million), respectively. The increase was mainly driven by a higher need for loan loss provisions in Asia. Net income/expense from the disposal and valuation of securities and derivatives went up because the net income from selling securities classified as current assets rose to € 6.4 million (2013: € 5.5 million) while the net loss from the valuation of securities classified as current assets dropped to € 20.5 million (2013: € 40.1 million). The net loss from the valuation of bankbook derivatives, by contrast, dropped from negative € 8.2 million to negative € 0.9 million in 2014.

Net income/expenses from the disposal and valuation of financial investments changed from a net expense of € 100.6 million in 2013 to a net expense of € 869.8 million in 2014, mainly due to a write-down on an affiliated subsidiary. As a result, the loss on ordinary activities for the year under review amounted to € 677.3 million.

The return on equity before taxes was negative (2013: 9.0 per cent).

Tax on profit or loss represented an expense of € 9.4 million in 2014 (2013: income of € 32.7 million). The tax income from the previous year was the result of a positive tax transfer of € 45.0 million from RZB AG, the group parent.

Expenses for other taxes amounted to € 116.9 million (2013: € 104.8 million) and largely consisted of € 87.9 million for the stability contribution for banks (2013: € 102.7 million) and € 27.8 million in company tax associated with the capital increase.

The return on equity after taxes was negative (2013: 7.9 per cent).

In 2014, the loss for the year after tax was € 803.6 million (2013: profit for the year after tax of € 537.2 million). Retained earnings remain unchanged year-to-year (2013: addition of € 37.6 million).

After adding € 2.4 million in profit brought forward, the net loss for the year amounts to € 801.2 million (2013: net profit for the year of € 300.7 million).

Recommendation for the appropriation of profits

Due to the net loss for the year, RBI AG will not pay a dividend on shares or participation capital for the 2014 financial year.

Capital, share, voting and control rights

The following disclosures cover the provisions of Section 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2014, the company's capital stock amounts to € 893,586,065.90 and is divided into 292,979,038 voting common bearer shares. As at 31 December 2014, 537,295 of those were own shares which means that 292,374,521 were outstanding at the reporting date. During the reporting year, a capital increase of 97,473,914 shares was carried out with an offer price of € 28.50. The capital stock thereby increased by €297,295,437.70. Please consult the note on equity for more information.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The Management Board is not aware of any restrictions arising from agreements among shareholders

(3) RZB AG holds around 60.7 per cent of the capital stock (2013: 78.5 per cent) in the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH and other subsidiaries. The remaining shares of RBI AG are held in free float. The Management Board knows of no direct or indirect participations in the capital amounting to 10 per cent or more.

The ultimate parent company is Raiffeisen-Landesbanken-Holding GmbH, holding around 82.4 per cent of the shares of RZB AG, directly and indirectly. The direct share amounts to around 3.9 per cent and the indirect share is approximately 78.5 per cent and held by the wholly owned subsidiary R-Landesbanken-Beteiligung GmbH.

(4) Pursuant to the company's Articles of Association, RZB AG is granted the right to delegate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as long as it holds a participation in the capital stock. Beyond that, there is no special right of control associated with holding shares.

(5) There is no control of voting rights in the case of a participation in capital by employees.

(6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may become a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates to, or chairman positions in, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. Beyond that, there are no regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws (with regard to RZB AG's right to delegate members, please see (4) above). The articles of association stipulate that the resolutions of the Annual General Meeting are, notwithstanding any mandatory statutory provisions or Articles of Association to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority, in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely via a simple majority. The Supervisory Board is authorized to adopt amendments to the articles of association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company articles of association beyond the provisions of the relevant laws.

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock with the approval of the Supervisory Board - in one or more tranches - by up to € 446,793,032.95 through issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights). The authorization of 26 June 2013 pursuant to Section 169 of AktG (authorized capital), which had been previously partially utilized, was revoked.

Pursuant to Section 159 (2) 1 of AktG, the capital stock has been increased contingently by up to € 119,258,123.20 through the issue of up to 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares. Pursuant to Section 174 (2) of AktG, the Annual General Meeting of 26 June 2013 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2,000,000,000, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro rata amount of the capital stock of up to € 119,258,123.20, within five years from the date of resolution adopted by the Annual General Meeting, with the approval of the Supervisory Board. Shareholders' subscription rights to the convertible bonds are excluded. No convertible bonds have been issued to date.

The Annual General Meeting of 4 June 2014 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 4 and 8 of AktG, during a period of 30 months from the date of the resolution (i.e. by 3 December 2016), up to a maximum of 10 per cent of the company's respective capital stock and, if deemed appropriate, to retire them. The authorization may be exercised in full or in part or also in several installments, for one or more purposes – with the exception of securities trading – by the company, by affiliated enterprises or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized, pursuant to Section 65 (1b) of AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. This authorization applies for a period of five years from the date of the resolution (i.e. until 3 June 2019). Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to purchase and use own shares that was granted in the Annual General Meeting of 20 June 2012. No own shares have been bought since the authorization was issued in June 2014.

The Annual General Meeting of 4 June 2014 also authorized the Management Board, under the provisions of Section 65 (1) 7 of AktG, to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 3 December 2016), of up to a maximum of 5 per cent of the company's respective capital stock. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice this closing price. This authorization may be exercised in full or in part or also in several installments by the company, by affiliated enterprises or, for their account, by third parties. This authorization replaces the authorization for the purpose of securities trading that was granted in the Annual General Meeting of 20 June 2012.

The company's Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of AktG in a total nominal amount of up to € 2 billion within five years from the date of the resolution, with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger of Raiffeisen International with RZB AG's principal business areas to form RBI AG, with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring company were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB AG. This authorization expired on 8 June 2014 and no further participation rights were issued.

(8) The following material agreements exist, to which the company is a party and which take effect, change or come to an end upon a change of control in the company as a result of a takeover bid:

- As a subsidiary of RZB, RBI AG is insured under RZB's group-wide D&O insurance. Insurance cover remains in place in the event of a merger with another legal entity of the RZB Group. In the event of a merger with a legal entity outside the RZB Group, RBI AG will no longer be covered under RZB's group-wide insurance from the date of the merger. In such case, insurance cover only exists for breaches of obligations committed prior to the merger.
- The company's SIP provides the following upon change in corporate control: "If a change in corporate control or a merger occurs during the vesting period without the combination being exclusively concerned with subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI AG and the investor's actual possibility of disposing of

them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment.”

- Furthermore, the syndicate agreement concluded by RBI AG in relation to a subsidiary bank with the relevant shareholders will automatically be terminated upon a change of control.
- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.
- The company’s refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of financing in the event of a change in control.

(9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees for the case of a public takeover bid.

Non-financial Performance Indicators

Human Resources

As of 31 December 2014, RBI AG had 2,093 employees (full-time equivalents, excluding employees assigned to other group companies), an increase of 0.9 per cent on 2013 (2,081 employees). The traditionally very high proportion of women among the total workforce continued at 44.7 per cent. To help achieve the best possible balance between work and family life, RBI AG offers home office and a number of part-time models alongside flexible working time without core working hours. "Daddy's month" has also been introduced within RBI AG, with some fathers already taking advantage of this scheme to spend time with their family following the birth of a child. An increasing number of fathers are also taking several months' leave.

Vacancies were notably filled in critical functions in order to replace losses due to staff turnover. In the year under review the rate of staff turnover was 6.9 per cent (2013: 6.2 per cent).

Talent management and management development

Talent management was again the subject of intensive focus in 2014. Key areas included ensuring high standards in the identification of talent, especially through "calibration meetings", and improving the quality of individual development plans.

The nomination process for the Young Potential Program was also adapted to the Talent Management Process in 2014 and a new program (SGL! Talent Lab) was developed for future management talent.

With regard to management development, the Basic Leadership Program for new managers was reorganized in order to ensure a more effective transfer of training content to management practice. Mentoring and coaching were also increasingly used as tools and new mentors were trained and deployed internally.

Professional development

In 2014, professional development placed special emphasis on using budgetary and time resources as precisely as possible for strategic objectives and initiatives. Although there was a slight reduction in the portfolio and in participant numbers for standard training courses, including in Vienna, investment in business-critical areas such as process optimization was increased. Additional areas of emphasis included "fit & proper" qualification of our top executives and key personnel and also mandatory training courses on compliance issues.

Alternative forms of learning such as e-learning and also cross-functional and international rotation/exchange programs were further expanded, especially for identified talent and "high potential" employees. For example, RBI participated in the "International Young Potentials Program", which in 2014 was successfully implemented for the fourth time with nine participating network banks.

Developments in compensation

In 2014, a significant portion of the Human Resources capacity was again channeled toward implementing special regulations for compensation systems in the banking sector following the entry into force of new provisions ("technical standards" of the EBA). This made it necessary to adjust and implement internal rules concerning the valuation, based on risk criteria, of all branch offices belonging to RBI AG in order to determine the extent to which the compensation rules are applied and concerning the identification of those positions which are subject to the restrictive remuneration provisions of the Austrian Banking Act (BWG).

RBI AG's negative result had a marked impact on variable compensation for the 2014 financial year. In accordance with the regulatory framework, bonus commitments were not made or were reduced, on a differentiated basis, for management, "identified staff" employees and other employees (subject to any decision to the contrary by the supervisory authorities before the payment date). The associated provisions were therefore correspondingly lower than in previous years.

Overall, personnel costs fell 3.3 per cent year-on-year.

Focus on the employee survey

In order to make data comparable within the Group and reduce costs, a Group-wide survey project was introduced for the first time in 2014. This was conducted in conjunction with the HAY Group, a global consulting company specializing in HR matters. RBI AG also participated in the survey in the second quarter.

Alongside the two key factors of employee engagement (commitment to the company and voluntary willingness to make additional effort) and employee enablement (existence of an environment which nurtures success), twelve additional dimensions such as quality and customer orientation, cooperation, strategic direction, focus on performance and training were also surveyed.

The participation rate of 70.1 per cent for the previous survey in 2011 rose to 75 per cent. When planning improvement measures, considerable emphasis was placed on direct involvement of employees. Processing of the survey and planning of measures involved 3 levels: firstly, processing at the respective unit level, secondly at the level of the overall bank for matters defined by the Management Board as a priority for the company as a whole and thirdly processing within the context of the sub-project "occupational psychological evaluation of stress in the workplace".

Sustainability management at RBI

Within the RZB Group (of which RBI is an important part), economic, ecological and social responsibilities form part of a whole. Sustainable action has been part of the Group's agenda and identity since it was founded by Friedrich Wilhelm Raiffeisen. Thus, corporate responsibility and sustainability are integral components of RBI's business activities.

RBI promotes sustainability issues and ensures compliance with the ten principles of the "United Nations Global Compact (UNGC)."

According to the cornerstones of the sustainability strategy, the role of the responsible banker is of particular importance with regard to lending and investment activities. The involvement of the International Finance Corporation (IFC) in RBI's capital increase at the start of 2014 - and the associated agreement with the network banks in Russia, Poland, Bosnia and Herzegovina, as well as Kosovo - led to additional requirements including the introduction of an environmental and social management system which entails, among other things, compliance with the IFC's Performance Standards and the IFC Exclusion List. The eight IFC Performance Standards relate to the following: social and ecological assessment and management systems; labor and working conditions; prevention and reduction of environmental pollution; public health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable management of resources; indigenous peoples; as well as cultural heritage. They serve as a benchmark for identifying and managing environmental and social risks.

Furthermore, RBI acted as joint bookrunner in September 2014, together with three other UNICO member banks, for the structuring and placement of a European Investment Bank (EIB) Climate Awareness Bond.

In 2014, RBI was again listed in the Austrian sustainability index (VBV Österreichischer Nachhaltigkeitsindex - VÖNIX). This index contains listed Austrian companies which are leaders in terms of social and ecological performance.

In preparation for the Stakeholder Council 2014, a focus group of internal and external experts was organized on the subject of "RZB Group 2025 - Sustainable Future Scenarios and Strategies". The three rounds of dialog focused on man and his changing requirements, market trends, new business models and technologies, as well as changes in framework conditions, policy and governance. The numerous suggestions and proposals put forward by the participants are being analyzed in order to derive concrete steps for the current sustainability program.

As a fair partner, RBI maintains an active, transparent and open dialog with all stakeholders. In this regard, the Sustainability Report, an annual publication on sustainability performance, plays an important role. At the Econ Awards 2014, RBI's most recent Sustainability Report received a gold award for outstanding achievements in corporate communications in German-speaking countries. The RZB Group's 2011/12 Sustainability Report "We create sustainable value" received its first ever award in the category "Sustainability and CSR Report", while the electronic update for the reporting year 2013 received a prize at the Austrian Sustainability Reporting Awards (ASRA) in 2014, for being one of the best sustainability reports produced by a major Austrian corporation.

In order to identify new, innovative ideas and projects in the field of sustainability and to get employees more involved in the subject of sustainability and climate protection, RBI participated in the "Raiffeisen Sustainability Challenge" organized by the Raiffeisen Climate Protection Initiative (RKI) in fall 2014. Three category choices were available: Sustainable financial products and services, sustainable construction, renovation and mobility as well as internal measures. RBI employees submitted a total of 30 projects. The three best projects were awarded prizes and took part in the national final.

The Carbon Disclosure Project (CDP) is a non-profit organization aimed at reducing CO₂ emissions. The CDP collects data and information annually using standardized questionnaires. The CDP now manages the world's largest database on environmental data of listed companies. Investors access the data more than 8.8 million times a year.

RBI has been reporting under the Carbon Disclosure Project since 2011 and has been a CDP Reporter Services member since 2013. The data relating to the CDP is audited in accordance with ISO 14064-3. The companies which perform best in terms of reporting and planning, as well as in the implementation of measures, form the Carbon Performance Leadership Index (CPLI). In 2014, RBI was represented in this index for the second time. Moreover, with 96 A points, RBI has been ranked among the five best companies within the "Financials" sector in the DACH region (Germany, Austria and Switzerland) for the first time. The average for the DACH region is 69 C.

In order to reduce emissions, it is important to know the precise sources of such emissions. The CO₂ emission figures for Group head office were first recorded in 2009. Whereas in 2009, "energy", at 56 per cent, was the greatest contributor to RBI's CO₂e emissions (CO₂ equivalent or CO₂e is a term used to describe the effect of greenhouse gases caused by human beings on the greenhouse effect), the 2014 survey showed a marked improvement. The reduction in electricity consumption, the switch to green electricity (without the use of large-scale hydropower), and the increase in energy efficiency, not least through the use of district cooling, enabled this share to be reduced to 10 per cent. The partial relocation to the nearly zero-energy building at the new location "R 19" in Muthgasse in the Vienna-Döbling district also played a role. "Transport" (business travel) now accounts for the highest share of CO₂e emissions. Paper-based CO₂e emissions were also reduced, by 93 per cent, through cutting paper consumption and switching to recycled paper. Since 2009, the CO₂ footprint per employee has been reduced 34 per cent and now stands at 2,312 kg CO₂e.

Further attention focused on mobility, one of the three biggest sources of CO₂ emissions in the RZB Group. The first survey on employees' journeys to work was conducted in 2009 on behalf of the Environment Committee. A new mobility survey was launched in fall of 2014 to ascertain employees' travel habits during business trips and when traveling to their place of work. To increase the number of surveys returned by the network banks, the online questionnaire was translated into the respective national language. The results will be evaluated at national level in the first quarter of 2015.

As an engaged citizen, RBI assumes responsibility for society and the environment. As part of social development, it supports a wide variety of charitable projects, also including via the H. Stepic CEE charity which is involved with charitable projects in Central and Eastern Europe. When selecting the charity projects, care is taken to ensure the aid really does reach those who need it most urgently. The offices involved make sure aid is provided promptly and without red tape. All projects are subjected to local-level monitoring and their progress is reported.

Risk management

Taking and transforming risks form integral components of the banking business. This makes active risk management as much a core competence of overall bank governance as capital planning and management of the bank's profitability. In order to effectively identify, classify and contain risks, the Group utilizes comprehensive risk management and controlling.

This function spans the entire organizational structure, including all levels of management, and is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the careful handling and professional management of credit risk, country risk, market risk, liquidity risk, investment risk and operational risk in order to ensure an appropriate risk/reward ratio. More detailed information on the structure of the risk organization and key figures is available in the risk report.

Management of non-performing loans

The treatment of distressed loans was also one of the priorities of risk management in 2014. Above all, the measures were focused on the reprocessing and analysis of existing risks especially in Asia and an adequate risk-driven reaction to the political situation in Ukraine. A further important objective in 2014 was the fast implementation of the forbearance approach. The current exchange of experience and the discussion on lessons learned respectively served to improve the quality in the risk division. This mutual exchange avoided a stronger increase in non-performing loans.

Continuing macroeconomic difficulties in RBI AG's home market in 2014 are also reflected in the rise in non-performing loans. In particular, the non-bank portfolio in the Group Corporates business segment suffered from the default of certain large corporate customers, which also resulted in an increase in planned risk costs primarily in Asia during the second half of the year.

The allocation of corresponding loan loss provisions was, however, partly offset by income from reorganization measures. In doing so, adequate coverage was ensured through allowances.

Liquidity risk

RBI's liquidity position is subject to regular monitoring and is included in the RZB Group's weekly report to the Austrian banking supervisory authority. It continued to remain stable and revealed a comfortable liquidity buffer during the 2014 financial year. This liquidity buffer was increased further above all in the second half of 2014 because of the ongoing geopolitical tensions in some markets and the increased refinancing costs that resulted from this.

To manage its liquidity risk, RBI uses a long-established and proven limit model which requires high excess liquidity for short-term maturities and is based on contractual and historically observed capital inflows and outflows. In addition to the limit models, regular liquidity stress tests are also undertaken to evaluate and limit the effects of potential reputation and market crisis scenarios. Above all in the short-term segment the liquidity buffer is also intended to cover the repercussions of such potential market risk scenarios.

Corresponding limits also exist for medium and long-term maturities in order to lessen the negative impact of a possible refinancing cost increase on RBI AG's operating result.

Liquidity management incorporates findings from past years into the cash flow modeling in order to adjust the resulting forecasts for capital commitment and refinancing needs. On the one hand, this should increase transparency with respect to actual costs and risks. On the other hand, it should also provide the right management impetus.

The underlying cash flow models are periodically adjusted to the observed portfolio dynamics trend. In 2014, particular attention was paid to modeling concentration risks and further developing the calculation of liquidity ratios according to Basel III.

Interest rate risk

RBI AG's net interest income is a key factor driving results and thus contributes significantly to strengthening the capital base, as well as to the success of the business model. To come up to the importance of this factor, risk management of interest rate flows is treated by a dedicated unit which is independent of liquidity risk management. Here, particularly the impact of different interest rate scenarios on net interest income is simulated. In close cooperation with the front office units, RBI AG is preparing for various developments in the markets to be able to react quickly in the case of negative trends. In 2014, the emphasis in this area was on further developing the available analytical and reporting tools.

Market risk

Since January 2010, market risk management has been based on the figures from an internal model. The model uses a hybrid approach – i.e. a combination of historical and Monte Carlo simulations with 5,000 scenarios – to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest rate development, bond credit spreads, credit default swaps and equity indices. The model was expanded to include a stressed VaR module and improved measurement of option risks.

To improve the modeling of risk factors where the probability of extreme price changes exceeds the probability given by the normal distribution, numerous approaches were integrated into the model. These include the enhancement of scenarios to include extreme events or the consideration of the current volatility levels in generating scenarios, as well as different time horizons in the volatility estimate. This model forms the basis for implementing the strict Basel III requirements in internal models.

The daily scope of management includes RBI AG's trading and banking books based on VaR for a holding period of one day and a confidence interval of 99 per cent, as well as sensitivity limits. The market risk position, limit process and presentation of all capital market activities on the income statement are among the items on the fixed agenda for the weekly Market Risk Committee meeting.

Daily back testing is performed to ensure model quality. The results of these tests were consistently within the limits of the model expectations. Based on these positive results, the internal model is to be allocated to the best class ("green light") from a regulatory perspective.

An important strategy for reducing counterparty credit risk is credit risk mitigation techniques such as netting agreements and collateralization. In general, RBI AG faces to establish standardized ISDA master agreements for bilateral netting and a corresponding credit support annex (CSA) for risk coverage for positive fair values on a daily basis.

Operational risk

Not only internal risk factors, e.g. impermissible actions, theft and deception, clearing and process errors, operational disturbances and system failures, but also external risk factors such as damage to physical assets and fraudulent acts are controlled and managed within the area of operational risk. These risks are analyzed, managed and controlled on the basis of the internal historic loss data collection and risk assessment results.

Early warning indicators for operational risks are intended to ensure that possible losses can be identified and prevented early on. Standardized scenario analyses are used to ascertain the effects of possible events that have a low probability of occurrence but lead to extensive damage.

Changes in the regulatory environment

In the 2014 financial year RBI also continued to focus intensively on both existing and forthcoming regulatory requirements. One of the major themes, for which preparations were made in the past, was the amended legal regulations that came into effect with the EU directives on Basel III (CRD IV/CRR) at the beginning of financial year 2014. Under the new Basel III regulations, risk management also continued to focus on the ongoing implementation of advanced calculation approaches in financial year 2014. These activities included the implementation of the internal ratings-based (IRB) approach in the retail and non-retail segments of the Central and Eastern European subsidiaries, further development of the internal market risk model as well as Group-wide further development of the standard approach for operational risk. Simultaneously with Basel III, the new Austrian Bank Intervention and Restructuring Act also came into effect at the beginning of 2014. This regulation required RBI AG, as a material subsidiary of the RZB Group, to submit a plan in June 2014 in the event of restructuring to the Austrian Financial Market Authority. The plans for a potential resolution were submitted at the end of financial year 2014.

The ECB subjected all banks that in future are to be directly supervised to a Comprehensive Assessment, which mainly consisted of an extensive Asset Quality Review (AQR) and a Europe-wide stress test. As part of the RZB group RBI AG took part in the ECB stress test. The RZB Group significantly surpassed the required capital ratios in both the baseline and adverse scenarios of the stress test. The AQR, which preceded the stress test, was based on the 2013 statement of financial position and brought adjustments to the common equity tier 1 ratio (CET1 ratio) used by the ECB in its stress test for RZB, in the amount of 0.6 percentage points. These adaptations are mainly due to the fact that the ECB employs a different approach to RZB for portfolio-based loan loss provisions. Moreover, the AQR did not account for provisions that RBI established in financial year 2014. However, most of these were allocated in financial year 2014. The recommendations of the ECB were implemented to the extent that they correspond with IFRS accounting policies and increase the qualitative accuracy of the models used.

In October 2014 RBI received notification of the regulatory sub-consolidation of RBI as a sub-group of RZB. Under Article 11 (5) CRR (Capital Requirement Regulation) RBI is to be supervised separately on a partly-consolidated basis and under Section 30 BWG (Banking Act) is deemed to be the parent credit institution for the sub-group. In conjunction with this, a minimum total capital ratio of 13.76 per cent was set to be complied with by the Group as of 30 November 2014. This required total capital ratio (transitional) was complied with from this date onwards on a partly-consolidated basis (group level) including an adequate buffer.

At the beginning of November 2014 the ECB assumed responsibility for banking supervision in the eurozone. The Single Supervisory Mechanism (SSM) is a new banking supervisory system consisting of the ECB and the corresponding national authorities of the member states. It is primarily intended to contribute to the banks' safety and solidity as well as to the stability of the European financial system and to ensure uniform supervisory authority. As one of the 120 major banking groups that represent 82 per cent of the eurozone's banking industry measured in terms of their assets, RBI as a sub-consolidated sub-group is also subject as a group to the ECB's direct supervisory authority. In this respect, besides significantly increased reporting requirements RBI also expects to see the emergence of an increasing number of regulatory issues of strategic relevance.

Risks arising from financial instruments (risk report)

Active risk management is a core competency of RBI AG. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk management principles

RBI AG has a system of risk principles and procedures in place for measuring and monitoring risk. It is aimed at controlling and managing the risks at all banks and specialist companies in the Group. The risk policies and risk management principles are determined by the Management Board of RBI AG. The bank's risk principles include the following, among others:

- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business segments in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.

Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Management Board of RBI AG ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions on the basis of the risk reports and analyses. Independent risk management units and special committees support the Management Board in implementing these tasks.

RBI AG's risk management functions are performed on different levels. RBI AG develops and implements the relevant concepts in coordination with Raiffeisen Zentralbank AG as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Risk Controlling organizational division. It is responsible for developing the company-wide framework for overall bank risk management (integrating all risk types) and preparing independent and neutral reports on the risk profile for the Risk Committee of the Supervisory Board, to the Management Board and the heads of the individual business divisions.

Risik comitees

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (e.g. allocation of risk capital) and advises the Management Board on these matters.

The Market Risk Committee controls market risks of trading and banking book transactions and establishes corresponding limits and processes. In performing its control function, it relies in particular on profit and loss reports, the amount of risks taken and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions and the public sector). They decide on the specific lending criteria for different customer segments and countries. Under the lending approval process and credit approval authority based on rating and exposure size, they also make the respective credit decisions.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context, it plays an important role in long-term funding planning and the hedging of structural interest rate and foreign exchange risks.

The Credit Portfolio Committees define the relevant credit portfolio strategy for various customer segments. In these committees, representatives of the market and risk management units jointly evaluate both the risks and potential of various customer groups (e.g. industrial sectors, countries, customer segments). Based on this evaluation, credit portfolio management develops lending policies and sets limits for the future orientation of the credit portfolio. Due to their underlying articles of association, decisions may not be made without the approval of members of the Risk Division.

The Problem Loan Committee is the essential committee in the assessment and decision-making process for problem customers. The Problem Loan Committee primarily comprises decision-making bodies (management boards of RBI and RZB) and is chaired by the Chief Risk Officer (CRO) of RBI. Additional voting members include management board members responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and department heads of Risk Management and Workout.

The Securitization Committee is the decision-making committee for limit applications relating to securitization positions within the scope of the specific decision-making authority and for the elaboration of proposals to modify the securitization strategy for the Management Board. The Securitization Committee also serves as a platform for the exchange of information pertaining to securitization positions and market developments.

The Operational Risk Management Committee comprises representatives of the business divisions (retail, market and corporate customers), as well as participants from Compliance, Fraud Management, Internal Control System, Operations, Human Resources, Security and Risk Controlling, and is chaired by the CRO. This committee is responsible for managing operational risk for the purpose of deriving and establishing an operational risk strategy based on the risk profile and business strategy and to make decisions concerning measures and risk acceptance.

Overall group risk management

Maintaining an adequate level of capital is a core objective of risk management of the company. Capital requirements are monitored regularly on the basis of the risk determined by internal models; the choice of models used reflects the materiality of risks. This overall bank risk management approach takes account of capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic standpoint (target rating perspective). It is therefore in line with the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. RBI AG's overall ICAAP process is audited during the supervisory review process for the RZB credit institution group (RZBKreditinstitutsgruppe) on an annual basis.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.92 per cent as derived from the default probability implied by the target rating
Going concern perspective	Risk of not meeting the capital requirement as defined in the Basel III regulations	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent presuming the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable tier 1 capital ratio over a full business cycle	Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario	70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

Target rating perspective

Risks in the target rating perspective are measured on the basis of economic capital, which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different risk categories (credit, participation, market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible assets). In addition, a general buffer for other risks that are not explicitly quantified is held.

in € thousand	2014	Percentage	2013	Percentage
Participation risk	1,629,812	58.4%	1,972,937	59.4%
Credit risk corporate customers	533,821	19.1%	721,260	21.7%
Credit risk financial institutions	108,199	3.9%	158,410	4.8%
Risk buffer	132,852	4.8%	157,374	4.7%
Operational risk	132,748	4.8%	106,800	3.2%
Market risk	91,193	3.3%	94,140	2.8%
Other tangible assets	66,278	2.4%	71,280	2.1%
Credit risk sovereigns	42,485	1.5%	21,070	0.6%
Macroeconomic risk	48,421	1.7%	18,421	0.6%
Liquidity risk	4,074	0.1%	1,590	0.0%
Total	2,789,882	100.0%	3,323,282	100.0%

The objective of calculating the economic capital is to determine the amount of capital that would be required for servicing all customer and creditor claims also for such a rare loss event. To calculate the economic capital, RBI AG applies a confidence level of 99.92 per cent derived from the default probability implied by the target rating. Based on the empirical analyses of the rating agencies, the selected confidence level corresponds to a flat A rating. The confidence level was reduced from 99.95 per cent in the previous year to currently 99.92 per cent, which represents an alignment of the implied target rating with the general rating trend in the banking sector over the past few years.

Economic capital is an important instrument in overall bank risk management and is used in allocating the risk budget. Economic capital limits are allocated to individual business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement is also based on this risk measure. The ratio of the profitability of business units to the amount of economic capital attributable to such units is determined (risk-adjusted return on risk-adjusted capital, RORAC) to yield a comparable performance measure for all of the bank's business units. This measure is used in turn as an indicator in overall bank management, related capital allocation and in the compensation of executive management.

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is also assessed with a focus on the uninterrupted operation of the bank on a going concern basis. The risk is compared to risk-taking capacity – having regard to regulatory capital and minimum capital requirements. In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of total capital (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation are based on methods comparable (albeit with a lower 95 per cent confidence level) to those used in the target rating perspective. Using this approach, the Group ensures adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The sustainability perspective is to ensure that RBI AG can maintain a sufficiently high tier 1 capital ratio at the end of the full multi-year planning period even if the macroeconomic environment deteriorates unexpectedly. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a significant, but realistic economic downturn. The risk parameters include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is on the ensuing tier 1 capital ratio at the end of the multi-year period. The ratio should not fall below a sustainable level and make it necessary for the bank to increase capital substantially or significantly reduce business activity. The current minimum amount of tier 1 capital is thus determined by the extent of the potential economic downturn. The need to allocate loan loss provisions, potential pro-cyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects are incorporated into this downturn scenario.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is mainly based on historical data). It is therefore able to incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test enables risk concentrations to be analyzed (e.g., individual positions, industries, or regions) and gives insight into profitability, liquidity and solvency under extreme situations. Based on these analyses, RBI AG's risk management actively manages portfolio diversification, for example through limits for total exposure in individual industry segments and countries and through ongoing adjustments to lending standards.

Credit risk

RBI AG's credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category for RBI AG, which is also indicated by internal and regulatory capital requirements. Credit risk is therefore analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the tools and processes which have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

No lending transaction is performed in the non-retail segments before the limit application process has been completed. This process applies not only to new lending, but also to increases in existing limits, roll-overs, overdrafts, and to cases in which the borrower's risk profile is no longer the same as the profile that formed the basis for the original lending decision (e.g., with respect to the financial situation of the borrower, purpose or collateral). In addition, it applies to the setting of counterparty limits in treasury and investment banking operations, other credit limits, and to participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. The approval of the business and the credit risk management divisions is always required for individual limit decisions and the regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next higher-ranking credit authority.

Credit portfolio management

RBI AG's credit portfolio is managed, among other things, on the basis of the portfolio strategy. This limits the exposure to different countries, industries and product types to avoid undesired risk concentrations. In addition, the long-term opportunities in the single markets are regularly analyzed. This enables future lending activities to be strategically repositioned at an early stage.

RBI AG's credit portfolio is broadly diversified by region and sector. The geographical breakdown of the loans reflects the broad diversification of the credit business in the European markets. The loans are broken down by region according to the customers' country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	2014	Percentage	2013	Percentage
Austria	23,120,767	30.9%	27,652,969	34.5%
Far East	5,821,659	7.8%	6,769,775	8.4%
Great Britain	5,605,115	7.5%	3,918,384	4.9%
Germany	5,405,706	7.2%	4,873,240	6.1%
Poland	4,464,359	6.0%	4,699,688	5.9%
Russia	4,220,607	5.6%	3,223,874	4.0%
France	3,337,232	4.5%	4,724,713	5.9%
USA	2,533,122	3.4%	3,119,428	3.9%
Romania	2,401,063	3.2%	2,739,057	3.4%
Netherlands	1,948,301	2.6%	1,923,954	2.4%
Spain	1,625,202	2.2%	1,078,298	1.3%
Swiss	1,609,600	2.2%	1,555,738	1.9%
Italy	1,173,681	1.6%	1,009,293	1.3%
Ukraine	1,069,391	1.4%	1,397,930	1.7%
Others	10,478,072	14.0%	11,444,485	14.3%
Total	74,813,875	100.0%	80,130,826	100.0%

Risk policies and the assessment of credit ratings at RBI AG also take account of the borrowers' industries. Banking and insurance represents the largest industry class. However, this is largely attributable to exposures to members of the Austrian Raiffeisen sector. The public sector is mainly attributable to securities of the Republic of Austria as issuer. The following table sets out the credit exposure broken down according to the customers' industry classification:

in € thousand	2014	Percentage	2013	Percentage
Financial Intermediation	37,311,517	49.9%	42,247,790	52.7%
Real estate, renting and business activities	10,895,964	14.6%	11,519,589	14.4%
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	7,468,327	10.0%	7,708,429	9.6%
Manufacturing	6,023,049	8.1%	6,368,006	7.9%
Public administration and defence, compulsory social security	4,989,792	6.7%	3,302,720	4.1%
Construction	1,702,413	2.3%	1,619,498	2.0%
Electricity, gas and water supply	1,068,960	1.4%	1,541,164	1.9%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,432,592	1.9%	1,029,452	1.3%
Transport, storage and communication	1,111,722	1.5%	1,332,672	1.7%
Education; health and social work; other community, social and personal service activities	605,590	0.8%	969,726	1.2%
Others	2,203,948	2.9%	2,491,779	3.1%
Total	74,813,875	100.0%	80,130,826	100.0%

A more detailed credit portfolio analysis is based on individual customer ratings. Customer ratings are tailor-made and are therefore carried out separately for different asset classes. Internal risk classification models (rating and scoring models), which are validated by a central organization unit, are used. The rating models in the main non-retail segments – corporates, financial institutions and sovereigns – provide for ten main grades. Rating and validation software tools are available (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RBI AG expects to receive when it sells the collateral within a reasonable period. Types of eligible collateral are defined in the Group's collateral list and corresponding valuation guidelines for collateral. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring is to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

A default and thus non-performing loan (NPL) is internally defined as a case in which a specific debtor is unlikely to pay its credit obligations to the bank in full, or a case in which the debtor is overdue more than 90 days on any material credit obligation. RBI AG has defined twelve indicators to identify a default event in the non-retail segment. These include the following cases, among others: a customer is involved in insolvency or similar proceedings; an impairment provision has been allocated or a direct write-off has been taken; credit risk management has judged that a customer account receivable is not wholly recoverable; the work-out unit is considering stepping in to help a customer regain its financial soundness.

As part of the Basel II project, a Group-wide default database has been created to record and document customer defaults. Defaults and default reasons are also recorded in the database, which enables probabilities of default to be calculated and validated. Provisions for impairment losses are formed in accordance with defined guidelines based on IFRS accounting principles and cover all identifiable credit risks. In the non-retail segment, problem loan committees decide on individual loan loss provisions.

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI AG's business activities in the converging Central, Eastern European and Asia markets expose it to this risk. In those markets, political and economic risks to some extent are still considered to be significant.

RBI AG's active country risk management is based on the country risk policy, which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. In day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RBI AG's own capitalization is applied to determine the absolute limit for individual countries.

Country risk is also reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to cap total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus realigns its business activities to the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG, this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables of the individual customer segments. For internal management purposes, potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts, the standard limit approval process applies; the same risk classification, limitation, and monitoring procedures as in traditional lending are used. Credit risk mitigation techniques such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG strives to conclude standardized ISDA master agreements with all major counterparties for derivative transactions to perform close-out netting and to agree on credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RBI AG's direct or indirect participations are fully consolidated in the consolidated financial statements and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described in the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: a deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. However, the methodology regarding the value-at-risk calculation and internal risk capital determination for participations is similar to that used for price risks in equity positions. However, in view of the longer-term strategic nature of participations, annual volatility based on multi-year periods (instead of daily changes) is used.

RBI AG's participations are managed by the Participations division. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RBI AG's Management Board on the basis of a separate due diligence.

Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk is determined by fluctuations in exchange rates, interest rates, credit spreads, equity and commodity prices, and other relevant market parameters (e.g. implied volatilities).

Market risks in the customer divisions transferred to the Treasury division on the basis of internal contracts with customer divisions. Treasury is responsible for managing structural market risks and complying with the bank's overall limit. The Capital Markets division comprises proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk managements

RBI AG measures, monitors, and manages all market risks for the bank as a whole.

The Market Risk Committee is responsible for strategic market risk management. It is responsible for managing and controlling all market risks. The bank's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. In addition, the department independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the *product approval process*. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office (and risk management) systems respectively.

Limit system

RBI AG uses a comprehensive risk management approach for trading and banking books (total-return approach). Market risks are managed consistently in all trading and banking books. The following values are measured and limited on a daily basis in the market risk management system:

- Value-At-risk (VAR) confidence level 99 per cent, horizon one day
The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main steering instrument in liquid markets and normal market situations.
- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices). Sensitivity limits are designed to avoid concentrations in normal market situations and represent the main steering instrument in stress situations or in illiquid markets or those that are difficult to measure.
- Stop loss
This limit strengthens traders' management of their proprietary positions to ensure that they do not allow losses to accumulate on their own proprietary positions, but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes in the total portfolio for various scenarios for the total portfolio. The risk concentrations revealed by these stress tests are reported to the Market Risk Committee and limits are set to reflect them. Stress test reports for individual portfolios are included in daily market risk reports.

Value-at-risk (VAR)

VaR is measured based on a hybrid approach in which 5,000 scenarios are simulated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation. The market parameters used are based on 500-day historical time series.

Distribution assumptions include modern features like volatility declustering, random time change, and extreme event containers in order to accurately reproduce fat-tailed and asymmetrical distributions. The Austrian Financial Market Authority has approved this model as an internal model for calculating total capital requirements for market risks. Value-at-risk results are used for economic capital allocation as well as risk limitation purposes.

Structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2014	Average VaR	Maximum VaR	Minimum VaR
Currency risk	1,819	1,278	3,563	563
Interest rate risk	598	808	2,150	329
Credit spread risk	1,309	1,398	3,394	727
Vega risk	628	465	1,671	228
Total	3,515	2,891	5,589	1,885

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2013	Average VaR	Maximum VaR	Minimum VaR
Currency risk	533	766	2,769	440
Interest rate risk	817	1,017	2,445	410
Credit spread risk	1,557	1,147	1,905	656
Vega risk	347	706	1,526	339
Total	2,456	2,728	4,677	1,718

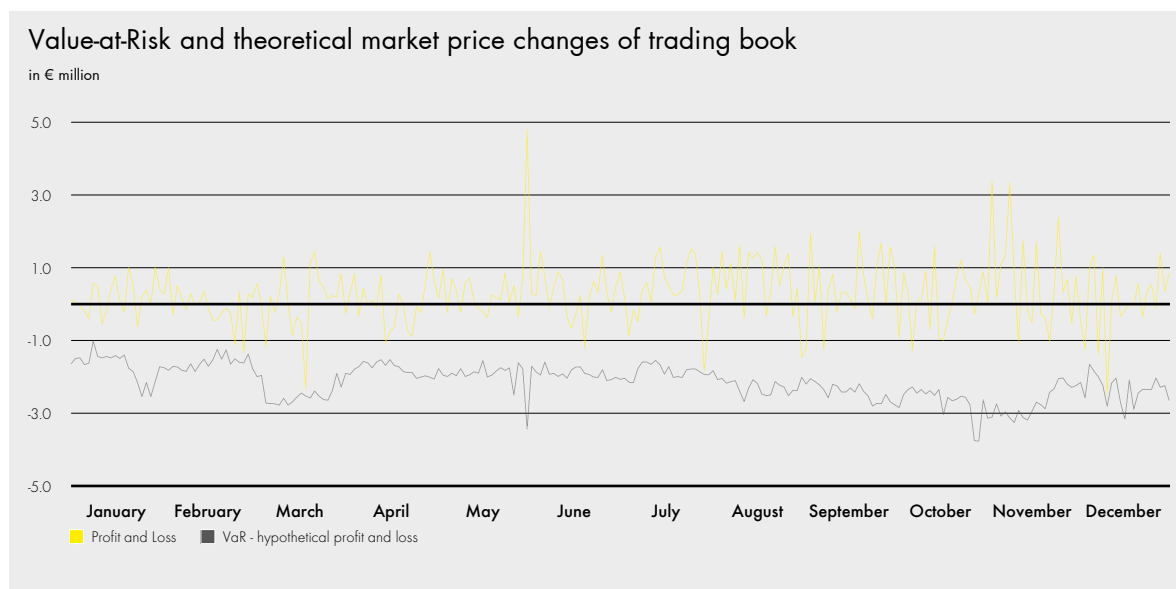
Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2014	Average VaR	Maximum VaR	Minimum VaR
Interest rate risk	1,888	2,386	4,855	940
Credit spread risk	2,965	2,306	7,766	1,434
Vega risk	940	601	1,028	350
Total	4,836	4,377	9,214	2,542

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2013	Average VaR	Maximum VaR	Minimum VaR
Interest rate risk	4,338	2,358	4,568	955
Credit spread risk	3,297	5,459	11,561	2,475
Vega risk	423	1,003	1,679	353
Total	5,904	6,360	11,280	3,998

Total VaR 99% 1d in € thousand	VaR as of 31/12/2014	Average VaR	Maximum VaR	Minimum VaR
Currency risk	1,819	1,279	3,563	563
Interest rate risk	1,998	2,017	4,374	794
Credit spread risk	4,520	3,399	8,180	2,052
Vega risk	952	754	1,344	216
Total	6,029	5,578	11,443	3,163

Total VaR 99% 1d in € thousand	VaR as of 31/12/2013	Average VaR	Maximum VaR	Minimum VaR
Currency risk	533	766	2,769	440
Interest rate risk	3,827	2,482	5,313	894
Credit spread risk	4,724	6,402	11,618	3,394
Vega risk	217	670	1,247	200
Total	6,675	7,286	12,645	4,667

Besides qualitative analysis of profitability, backtesting and statistical validation techniques are regularly used to monitor the risk measurement methods employed. If model weaknesses are identified, the methods are adjusted. Last year, there was no backtesting violation in RBI AG's trading book. The following chart compares VaR (99%, 1d) for market risk with the hypothetical profits and losses for RBI AG's trading book on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level on the next day. It is compared to the theoretical profits and losses to show the bank's hypothetical profit or loss on the following day based on the actual changes in market parameters. It is evident that the model correctly reproduces market volatility regimes and responds quickly to changed market conditions.



Interest rate risk in the trading book

The following table shows the largest present value changes in RBI AG's trading book given a one-basis-point interest rate increase across the whole yield curve (significant currencies with sensitivity greater than € thousand are shown separately). The relevant risk factors have declined significantly in the reporting period.

2014 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	7	(3)	6	(2)	(1)	2	(3)	4	1	1	1	0
CNH	3	0	0	2	1	0	0	0	0	0	0	1
CNY	(1)	(1)	0	0	0	0	0	0	0	0	0	0
CZK	3	1	2	0	(4)	(2)	5	1	0	0	0	0
EUR	70	(3)	42	(28)	60	30	(59)	(29)	43	(6)	6	0
GBP	1	1	0	0	0	0	0	0	0	0	0	15
HUF	(4)	1	(5)	3	(2)	(1)	2	(1)	0	0	0	0
PLN	6	(3)	9	(5)	(1)	2	0	3	(1)	0	0	0
USD	4	(3)	(14)	16	(3)	(29)	27	(36)	22	24	13	(12)

2013 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(18)	(4)	11	(26)	4	1	(8)	6	0	0	(1)	(1)
CNH	2	0	0	2	0	0	0	0	0	0	0	0
CZK	1	0	0	0	0	0	1	0	0	0	0	0
EUR	(160)	(23)	4	35	(143)	(78)	(24)	103	(14)	(8)	(26)	14
GBP	(1)	(1)	0	0	0	0	0	0	0	0	0	0
JPY	(3)	0	0	(2)	0	0	0	0	0	0	0	0
RUB	(1)	0	0	(1)	0	0	0	0	0	0	0	0
USD	53	(1)	8	10	2	(20)	(23)	13	(12)	(5)	83	(3)

Interest rate risk in the banking book

As a result of different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets), RBI AG is subject to interest rate risk. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book exists in the euro and US dollar as major currencies.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position, in particular interest rate swaps and – to a lesser extent – interest rate forwards and interest rate options are also used. Management of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is measured not only in a value-at-risk framework, but is also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of RBI AG's banking book given a one-basis-point interest rate increase. The main currencies are shown separately.

2014 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CAD	(7)	0	(7)	0	0	0	0	0	0	0	0	0
CHF	17	3	(10)	7	(11)	2	(3)	(5)	7	25	1	0
CNY	(10)	6	0	(16)	0	0	0	0	0	0	0	0
CZK	(21)	1	0	0	(3)	(2)	(15)	0	0	0	0	0
EUR	(163)	(25)	(9)	(24)	105	41	(41)	(133)	(160)	(33)	1	116
GBP	2	1	0	(1)	0	0	1	1	1	0	0	0
PLN	(17)	1	0	0	(1)	(4)	(12)	0	(1)	0	0	0
SGD	4	4	0	0	0	0	0	0	0	0	0	0
USD	141	(34)	(13)	0	17	2	5	(10)	17	12	2	142

2013 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CAD	(5)	4	(9)	0	0	0	0	0	0	0	0	0
CHF	(2)	(5)	8	1	7	2	(7)	7	10	(22)	(4)	1
CNY	10	(8)	4	12	2	0	0	0	0	0	0	0
CZK	12	2	0	0	1	3	6	0	0	0	0	0
EUR	451	4	(34)	(88)	57	(8)	477	87	(23)	132	(57)	(95)
GBP	(3)	(1)	0	0	0	0	0	0	(1)	0	0	0
PLN	14	4	0	0	0	0	11	0	0	0	0	0
SGD	6	(2)	0	9	(1)	0	0	0	0	0	0	0
USD	71	35	29	91	(36)	(20)	(30)	4	0	0	0	(2)

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds at short notice and the divergent need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

The *Treasury* division is responsible for liquidity management, i.e. ensuring that the bank maintains its ability to pay at all times. Cash flows are calculated and analyzed by currency on a daily basis in an internal monitoring system. Based on this information, the bank creates liquidity balances, and analyzes to determine whether the legal regulations on sufficient liquidity and defined internal liquidity limits are complied with. Further analyses include in particular simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group Asset/Liability Committee. RBI AG possesses all credit institution risk management instruments required by the liquidity risk management directive, such as a sufficiently large liquidity buffer, stress tests based on different scenarios, and liquidity contingency plans.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis, taking into account items on and transactions off the statement of financial position. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions).

in € thousand	2014			2013		
	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	5,352,683	4,322,961	5,455,437	6,904,808	4,147,213	4,447,644
Liquidity ratio	123%	111%	107%	134%	113%	108%

Internal limits are used to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. The bank holds sizeable amounts of liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage, contingency plans would come into force.

Funding liquidity risk

Funding liquidity risk is driven mainly by changes in the risk appetite of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supplies rise and fall with credit spreads, which are subject to market- and bank-specific fluctuations.

As a consequence, long-term funding depends on the general restoration of confidence in banks and greater efforts to collect customer deposits. RBI AG obtains funding through money and capital market transactions. It also acts as the central liquidity balancing agent for the local Group companies in Central and Eastern Europe.

RBI AG's funding plan focuses on achieving a balanced funding structure to manage funding liquidity risk. Funds are raised not only by RBI AG as the Group's parent institution, but also by many banking subsidiaries. These efforts are coordinated and optimized through a joint plan. Moreover, RBI AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category, internal risk drivers such as unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraudulent intentions are also managed and controlled.

These risks are analyzed and managed on the basis of RBI's own historical loss data and the results of self-assessments. Another management tool is an incentive system in internal capital allocation, under which poor data quality results in capital charges.

As with other risk types, the principle of firewalling between risk management and risk controlling also applies to operational risk at RBI AG. Operational risk controlling units are responsible for the implementation and refinement of the operational risk management system (e.g. risk assessments, definition and monitoring of key risk indicators) and for reporting to the central operational risk controlling function. Business line managers are responsible for controlling and mitigating operational risks. They decide on the use of control instruments such as insurance and further risk mitigation procedures.

Risk identification

Identifying and evaluating risks that endanger the bank as a going concern (but risks that occur with a very low degree of probability) and other areas in which losses occur more frequently (but cause only smaller losses) represent key tasks in the management of operational risk.

Operational risk is assessed in a structured form according to categories such as business processes and event types by risk assessments. Moreover, all new products are subject to a risk assessment. The impact of high probability/low impact events and low probability/high impact events is measured over a one- and ten-year horizon. Low probability/high impact events are quantified on the basis of standardized scenarios. In addition, additional scenarios tailored to the risk profile and local specifics are run.

Monitoring

In order to monitor operational risks, early warning indicators are used for prompt identification and mitigation of losses. Operating losses are recorded in a central database named ORCA (Operational Risk Controlling Application) broken down by business line and type of event. Such a collection of loss data makes it possible to implement statistical loss distribution models and is considered a minimum requirement for applying the regulatory Standardized Approach. Furthermore, such loss data (as well as documentation of the losses that are ultimately not incurred) serves as a basis for identifying risk and exchanging information with international databases to develop advanced measurement methods and track measures and control efficiency. Since 2010, the RBI Group has participated in the ORX data consortium, whose data is currently used for internal benchmark purposes and analyses.

The Risk Management Committee receives regular and comprehensive results of the analyses as well as events arising from operational risks.

Risk measurement and mitigation

RBI AG currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach (STA). To mitigate operational risk, the business division heads take preventive action to reduce and transfer risk. The progress and success of these actions is monitored by risk controlling. The business division heads also draw up contingency plans and nominate persons or departments to take the required measures if losses do in fact occur. In addition, several dedicated organizational units provide support to business divisions to reduce operational risks. An important role is taken on by fraud management which reduces potential fraud-related losses through proactive monitoring and preventive action. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

Internal control and risk management system with regard to the accounting process

Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for Raiffeisen Bank International AG (RBI AG). The annual financial statements of RBI AG are prepared in the AG Accounting and Treasury Accounting departments, which fall within the CFO's area of responsibility. The foreign branches deliver audited financial statements to head office and they themselves are responsible for preparing the financial statements.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

At RBI AG, the general ledger is maintained through the core banking system GEBOS, which also includes the credit and deposit processing sub-ledger function (GIRO). In addition, there are several sub-ledgers, in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Payments
- Banktrade (guarantees and letters of credit)
- UBIX (stock traded securities derivatives)
- SAP (accounts receivable/accounts payable/fixed asset accounting)

The accounting process can be described as follows:

- Day-to-day accounting
Day-to-day entries are booked directly in GEBOS (credit and deposit processing) and indirectly through various sub-ledgers (sub-systems), whose accounting entries are transferred in aggregated form to the general ledger (GEBOS) through interfaces.
- Stand-alone financial statements of RBI head office in accordance with UGB/BWG and IFRS
Based on the trial statement of financial position from GEBOS, a large number of supplementary closing entries are made. The statement of financial position and income statement under UGB/BWG are prepared from it. On the basis of the UGB/BWG statement of financial position, the IFRS financial statements are then prepared by means of reclassifications and reconciliation postings.
- Standalone financial statements of RBI AG
Finally, the financial statements of RBI AG are prepared. These include RBI's head office and also the branches. The data from the branches, which are audited by an external auditor, and also the financial statements data of RBI's head office are mainly input directly or transferred automatically to the IBM Cognos Controller consolidation system. The data are consolidated in this system and are then used as a basis to prepare the overall individual financial statements of RBI AG.

Control environment

In general, all group-internal instructions can be retrieved from RZB Group Directive Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions (e.g. leasing, ABS, tax issues, etc.)

Further guidelines relate solely to RBI AG or only deal with functions within departments. The Corporate Directive Accounting Guidelines for example apply to the accounting system. These deal with the instruction process for the settlement of purchase invoices, cost refunds and the management of clearing accounts.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increase risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk.

Control measures

The main control measures encompass a wide range of reconciliation processes. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used. The reconciliation between general ledgers and sub-ledgers or the reconciliation between financial accounting and balance sheet risk management can be cited as examples. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person.

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

Information and communication

Information on the accounting treatment of the respective products is regularly exchanged with the specialist departments. For example, regular monthly meetings take place with the Capital Markets and Treasury departments. Among other things, the meetings consider the accounting treatment of complex products. Regular department events ensure that employees receive ongoing training on changes to accounting rules under UGB, BWG and IFRS.

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of RBI AG. The Supervisory Board is also regularly informed about the results at its meetings. This ensures that the internal control system is monitored.

External reports are for the most part prepared only for the consolidated results of RBI AG. The reporting cycle is quarterly: besides the consolidated financial statements, a semi-annual financial report and interim quarterly reports for the group are published. In addition, reports have to be regularly provided to the banking supervisory authority.

Monitoring

The Management Board and the mid-office departments are responsible for ongoing company-wide monitoring. The quality of ongoing monitoring is secured by the work of the internal audit department. It reports regularly to the Management Board and the Audit Committee in the Supervisory Board.

Financial statements that are to be published are subjected to a final assessment by senior staff at the main Accounting & Reporting department and the responsible member of the Management Board (CFO) before being passed on to the Audit Committee.

Outlook

Economic prospects

Central Europe

Positive growth trends from the second half of 2014 should continue in the CE region in 2015 and 2016. The economic turnaround seems to have taken hold, and the 2015 increase in eurozone growth should support exports. Domestic demand is also expected to continue developing, which would further underpin the sustainability of the economic recovery. Following GDP growth of 2.9 per cent in 2014, the forecast for CE is currently at 3.0 per cent for the coming years. Poland is likely to remain the top performing country, but other CE countries such as the Czech Republic, Slovakia or Hungary are set to gain ground on Poland. In terms of monetary policy, the reins will likely continue to be kept loose in CE due to record-low inflation rates. Restrictive monetary policy measures are not expected before 2016.

Southeastern Europe

The SEE region's GDP growth in 2015 and 2016 should be less strongly affected by one-off effects (such as the natural disasters in Serbia and Bosnia-Herzegovina in 2014) and unmet consolidation requirements (such as in Croatia). After GDP growth of 1.4 per cent in 2014, and 1.9 per cent in 2015, SEE will likely near its current potential growth rate of 3.0 per cent again in 2016. Romania, in particular, should remain on a solid growth trajectory with GDP rising at around 3.0 per cent per year. Economic growth in Romania should be supported by rather lax monetary policies in 2015 and subsequent years. Other SEE countries, whose development in the past years was stagnant, are expected to slowly join the positive progress of Romania in 2015 and 2016.

Russia

The growth outlook is subdued – partly because exports and investments are unlikely to generate much momentum, and partly because the consequences of the Ukraine conflict still pose significant downside risks. After experiencing a deep recession in 2015 and a tentative recovery in 2016, the Russian economy is expected to weakly expand at 0.5 per cent. Its potential growth will likely stay below 2.0 per cent if the government does not enact reforms and diversify the economy as it planned, but failed to do in the previous cycle. Should economic sanctions against Russia continue, macrofinancial risks will rise sharply despite ample fiscal and foreign currency reserves.

CEE Other

Faced with high economic and political uncertainty, Ukraine will have to carry out difficult structural reforms in 2015 and 2016, supervised by the IMF, in order to adjust current economic imbalances and obtain urgently needed financing. Economic performance should therefore continue to decline, at least in 2015, while prospects of an economic recovery remain unclear. Belarus, also facing a stagnation or recession in 2015, will remain dependent on financial support from Russia making its macrofinancial situation likely to remain strained for the years to come.

Eurozone

The eurozone should see accelerated economic growth in the course of 2015 and continue this course in 2016. Exports are poised to benefit from the weak euro and robust economic momentum of important trading partners (USA, UK). Headwinds from fiscal policy will die down, while low oil prices should bolster consumer purchasing power and reduce companies' costs. Monetary policy, likely to stay very loose for a long time, will produce highly favorable financing terms that should clear the investment backlog. Private-sector investment will probably recover slowly, and so growth is expected to remain modest at 1.2 per cent in 2015. The 2016 estimate is at 1.9 per cent, which is even above the eurozone's potential growth. Despite the increase in economic momentum, weak wage pressures should keep inflation below the ECB target rate of slightly less than 2.0 per cent until 2016.

Austria

Economic momentum in Austria will probably only increase by a modest amount in 2015 and 2016, and lag behind previous upturns. Domestic demand should drive much of the growth, with private consumption benefitting from the stable employment situation. Furthermore, employment is expected to increase in the second half of 2015, while low energy prices support an increase in purchasing power. However, investment will only gain slight momentum. Due to an improvement in foreign trade conditions, exports are likely to increase; however, imports should rise about as quickly given the assumed increase in domestic demand. Therefore, GDP is expected to grow 0.7 per cent in 2015 and 1.8 per cent in 2016.

Outlook for RBI AG

As part of our new strategic measures, by the end of 2017 we plan to substantially reduce the risk-weighted assets (total RWA) of RBI AG through the reduction and downsizing of its business activities in Asia. We aim to offset the reduction partly through growth in other business areas.

Our targeted operating income for 2015 exceeds the level from the reporting year 2014 (€ 1,387 million). As we expect lower net interest income owing to higher refinancing costs, we anticipate higher net income from financial investments.

Although we expect that net provisioning for impairment losses will remain at an elevated level in 2015 as well, we also expect the provisioning requirement to be well below the previous year's level (2014: € 491 million).

Subsequent events

Strategic measures to strengthen capital ratios

In February 2015, RBI resolved to take a number of steps to increase capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps will affect a number of operations across RBI, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. Exposure to the Russian market is to be reduced, with a risk-weighted asset (total RWA) reduction of approximately 20 per cent planned by the end of 2017 (total RWA as at 31.12.2014: € 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where total RWA will be decreased by approximately 30 per cent by the end of 2017 (total RWA as at 31.12.2014: € 3.0 billion). In Hungary further optimization of the operation will be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by the end of 2017 and in the US by the end of 2016.

The implementation of these measures will result in an aggregate gross RWA reduction in the selected markets of approximately € 16 billion by the end of 2017 (total RWA as at 31.12.2014: € 68.7 billion). The total gross reduction from the end of the third quarter 2014 to the end of 2017 will amount to approximately € 26 billion.

The reduction is expected to be partially offset by growth in other business areas.

Currency devaluations at the beginning of 2015

At the beginning of 2015, changes to the Ukrainian National Bank's monetary policy led to a slump. By the end of February, the Ukrainian hryvnia had lost 37 per cent. This will have an effect on RBI's loan portfolio; however, this has only little impact on RBI's capital position.

At the beginning of the year, Belarus devalued the Belarusian rouble (BYR) by around 20 per cent. This was a result of the currency turbulence in Russia at the end of 2014. The Belarusian economy is strongly linked to the Russian's. As Priorbank's capital is partly secured through an economic hedge this has little impact on the capital position.

The appreciation of the Swiss franc (CHF) against the euro, following the withdrawal of the Swiss National Bank's exchange rate peg, had a negative effect on RBI's CHF-denominated foreign currency loans. RBI's portfolio of these loans is approximately € 4 billion, € 2.8 billion of which are in Poland. Overall, the short-term impact on RBI is deemed low.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

Raiffeisen Bank International AG, Vienna, Austria

for the year from 1 January 2014 to 31 December 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the year ended 31 December 2014 and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance for the year from 1 January 2014 to 31 December 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, am 9. March 2015

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Wilhelm Kovsca

Wirtschaftsprüfer



Michael Schlenk

Wirtschaftsprüfer

(Austrian Chartered Accountants)

Statement of the board of Management pursuant to Art. 82 (4) Austrian Stock Exchange Act

We confirm to the best of our knowledge that the financial statement give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 9 March 2015

The Managing Board



Karl Sevelda

Chief Executive Officer responsible for Compliance, Group Communications, Group Strategy, Human Resources, Internal Audit, International Banking Units, Legal Services, Management Secretariat, Marketing & Event Management and Participations



Johann Strobl

Deputy to the Chief Executive Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Workout



Aris Bogdaneris

Member of the Management Board responsible for Consumer Banking, Group & Austrian IT, Lean, Operations, Procurement & Cost Management, Project Portfolio & Security and Small Business & Premium Banking



Klemens Breuer

Member of the Management Board responsible for Business Management & Development, Group Capital Markets, Institutional Clients, Investment Banking Products and Raiffeisen Research



Martin Grüll

Member of the Management Board responsible for Active Credit Management, Investor Relations, Planning & Finance, Tax Management and Treasury



Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Corporate Sales Management & Development, International Business Support and Trade Finance & Transaction Banking