RAIFFEISEN BANK INTERNATIONAL AG

ANNUAL FINANCIAL STATEMENTS 2012

Raiffeisen Bank International

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Annual financial statements

Balance sheet

Assets

	ASSETS	31/12/2012 in €	31/12/2011 in € 000
1.	Cash in hand and balances with central banks	1,027,504,201	7,114,977
2.	Treasury bills and other bills eligible for refinancing with central banks	446,018,176	2,329,835
3.	Loans and advances to credit institutions	24,649,224,374	28,176,734
	a) Repayable on demand	681,642,929	1,584,184
	b) Other loans and advances	23,967,581,445	26,592,549
4.	Loans and advances to customers	25,948,869,484	28,314,212
5.	Debt securities and other fixed-income securities	2,224,433,362	5,336,576
	a) issued by public bodies	57,832,058	38,662
	b) issued by other borrowers	2,166,601,304	5,297,914
	hereof: own debt securities	119,875,316	81,441
6.	Shares and other variable-yield securities	102,302,196	175,492
7.	Participating interests	19,121,453	30,128
	hereof: in credit institutions	0	0
8.	Shares in affiliated untertakings	8,640,282,435	7,429,054
	hereof: in credit institutions	2,576,400,159	3,304,011
9.	Intangible fixed assets	60,740,870	94,097
10.	Tangible assets	8,029,058	14,577
	hereof: land and buildings occupied by a credit insitution for its own activities	0	0
11.	Own shares	13,141,552	15,806
	hereof nominal value	1,699,750	2,878,502
12.	Other assets	7,995,508,558	8,187,775
13.	Prepayments and accrued income	114,956,271	106,881
	Total assets	**71,250,131,990**	**87,326,145**

	LIABILITIES	31/12/2012 in €	31/12/2011 in € 000
1.	Liabilities to credit institutions	29,075,694,927	37,500,798
	a) Repayable on demand	3,932,544,167	2,283,826
	b) With agreed maturity dates or periods of notice	25,143,150,760	35,216,972
2.	Liabilities to customers (non-banks)	12,366,505,800	16,910,998
	a) Savings deposits	0	0
	b) Other liabilities	12,366,505,800	16,910,998
	aa) Repayable on demand	5,017,796,799	4,704,709
	bb) With agreed maturity dates or periods of notice	7,348,709,001	12,206,289
3.	Securitised liabilities	11,100,475,076	13,071,866
	a) Debt securities issued	9,145,826,160	10,476,103
	b) Other securitised liabilities	1,954,648,916	2,595,763
4.	Other liabilities	7,687,294,657	8,948,433
5.	Accruals and deferred income	229,258,329	208,346
6.	Provisions	240,301,145	242,412
	a) Provisions for severance payments	37,203,888	33,787
	b) Provisions for pensions	26,438,029	20,398
	c) Provisions for taxation	18,355,252	73,767
	d) Other Provisions	158,303,976	114,460
7.	Subordinated liabilities	2,895,069,414	2,367,797
8.	Supplementary capital	745,934,000	1,400,000
9.	Participation capital	2,500,000,000	2,500,000
10.	Subscribed capital	596,290,628	596,291
11.	Capital reserves	1,949,658,503	1,949,659
	a) Committed	1,852,592,104	1,852,592
	b) Uncommitted	97,066,399	97,066
12.	Retained earnings	1,251,485,081	1,040,485
	a) Legal reserve	5,500,000	5,500
	b) Other reserves	1,245,985,081	1,034,985
	hereof: reserves for own shares	13,141,552	15,806
13.	Liability reserve pursuant to Article 23 (6) BWG	383,015,000	383,015
14.	Net profit for the year	229,149,430	206,046
	Total liabilities	**71,250,131,990**	**87,326,145**

Income statement

		31/12/2012 in €	31/12/2011 in € 000
1.	Interest receivable and similar income	1,743,354,746	2,197,058
	hereof: from fixed-income securities	130,144,055	377,034
2.	Interest payable and similar expenses	(1,381,875,110)	(1,666,543)
I.	**NET INTEREST INCOME**	**361,479,636**	**530,515**
3.	Income from securities and participating interests	626,674,734	478,315
	a) Income from shares and other variable-yield securities	16,154,104	2,712
	b) Income from participating interests	384,358	362
	c) Income from shares in affiliated undertakings	610,136,272	475,241
4.	Commissions receivable	206,664,983	207,400
5.	Commissions payable	(41,225,482)	(50,563)
6.	Net profit or net loss on financial operations	49,068,997	89,868
7.	Other operating income	102,182,618	81,203
II.	**OPERATING INCOME**	**1,304,845,486**	**1,336,738**
8.	General administrative expenses		0
	a) Staff costs	(272,444,249)	(270,693)
	aa) Wages and salaries	(207,163,116)	(214,674)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(39,448,580)	(40,020)
	cc) Other social expenses	(7,689,677)	(6,057)
	dd) Expenses für pensions and assistance	(4,541,075)	(4,461)
	ee) Allocation to provision for pensions	(3,472,901)	(1,191)
	ff) Expenses for severance payments and contributions to severance funds	(10,128,900)	(4,291)
	b) Other administrative expenses	(283,447,731)	(238,880)
9.	Value adjustments in respect of asset items 9 and 10	(28,366,186)	(30,720)
10.	Other operating expenses	(49,200,634)	(14,889)
III.	**OPERATING EXPENSES**	**(633,458,800)**	**(555,182)**
IV.	**OPERATING RESULT**	**671,386,686**	**781,556**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	6,669,136	(59,409)
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	79,035,458	(183,288)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**757,091,280**	**538,860**
15.	Extraordinary income	0	665,612
16.	Extraordinary expenses	0	0
VI.	**EXTRAORDINARY RESULT**	**0**	**665,612**
17.	Tax on profit or loss	(16,694,536)	(39,460)
18.	Other taxes not reported under Item 17	(101,598,356)	(95,063)
VII.	**PROFIT FOR THE YEAR AFTER TAX**	**638,798,388**	**1,069,948**
19.	Changes in reserves	(211,000,000)	(667,573)
	hereof: allocation to liability reserve	0	(31,573)
VIII.	**NET INCOME BEFORE DISTRIBUTION ON PARTICIPATION CAPITAL**	**427,798,388**	**402,375**
20.	Distribution on participation capital	(200,000,000)	(200,000)
IX.	**NET INCOME AFTER DISTRIBUTION ON PARTICIPATION CAPITAL**	**227,798,388**	**202,375**
21.	Profit brought forward	1,351,042	3,671
X.	**NET PROFIT FOR THE YEAR**	**229,149,430**	**206,046**

Off-balance sheet items

	ASSETS	31/12/2012 in €	31/12/2011 in € 000
1.	Foreign assets	38,975,318,364	44,559,430

	LIABILITIES	31/12/2012 in €	31/12/2011 in € 000
1.	Contingent liabilities	10,886,005,786	10,827,027
	Guarantees and assets pledged as collateral security	10,886,005,786	10,827,027
2.	Commitments	12,294,569,546	12,179,519
3.	Commitments arising from agengy services	260,027,701	306,303
4.	Eligible capital pursuant to Article 23 (14) BWG	10,145,396,000	10,205,589
	hereof: own funds pursuant to Article 23 (14) no. 7 BWG	159,192,000	93,830
5.	Capital requirement pursuant to Article 22 (1) BWG	2,840,504,000	3,586,274
	hereof: capital requirement pursuant to Article 22 (1) nos. 1 and 4 BWG	2,681,312,000	3,168,619
6.	Foreign liabilities	21,666,086,234	31,408,682

Notes
Accounting and valuation methods

General principles

The annual financial statements for the year ending 31 December 2012 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). 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 principle of balance sheet continuity.

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.

To determine the fair value a credit value adjustment (CVA) is necessary to reflect the counterparty risk associated with OTC derivative transactions, especially of those contractual partners with whom hedging via the credit support annexes has not yet been conducted. This amount represents the estimated fair value of a security which could be used to hedge against the credit risk of the counterparties to RBI-OTC derivative portfolios. The CVA will depend on the expected future exposure, the probability of default of the contractual partner and recovery rates. In the CVA collateral, netting agreements, termination options and other contractual factors are taken into account.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2012 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.

The securities under other current assets are recognized at fair value. Exchange-traded derivatives in the banking book are also recognized at fair value. These are recognized in item 11/12 of the income statement: "Net income/expenses from the disposal and valuation of loans and advances and specific securities".

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. Negative market values are reflected in provisions for pending losses, while positive market values are not reflected in the accounts.

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

The banking book also includes portfolios that contain derivatives which do not meet the criteria of a trading book. The focus is not on short-term gains but on making profits through positioning based on medium- to long-term market opinion. Documented allocation to functional units takes place for these portfolios; they then represent a hedging relationship valued according to the imparity principle. In 2012 wide-ranging reclassifications in allocations of derivates in the bank book to functional units were undertaken. Due to the change in accounting method, there was a negative effect on earnings in the amount of EUR 67 million.

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. Compensatory valuation is undertaken for effective valuation units.

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.

Risks in the lending business

When the loan portfolio is valued, appropriate value adjustments or provisions 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, with linear weighting for corporates.

Investments and shares in affiliated companies

The investments and shares in affiliated companies are valued at the cost, provided sustained losses or reduced equity do not necessitate depreciation of the 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 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.

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 a mark-to-market basis at the market price prevailing on the reporting date. These include own shares held in the trading portfolio and intended for the share incentive program (SIP) for members of the management boards 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.

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 AGcompared 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.

One tranche of the program (SIP tranche 2009) matured in the 2012 financial year. In accordance with the terms of the program, the maximum number of shares to be allocated was not reached because the performance criteria were not met.

Issue costs

Issue and management fees and premiums or discounts for bonds issued are distributed over the given term. Other issue costs 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 corridor method is not used.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 3.5 per cent (2011: 4.5 per cent) a year and an effective salary increase of 2.5 per cent (2011: 3.0 per cent) a year and an individual career trend for all employees of 0.5 percent per annum. The parameters for retired employees are a capitalization rate of 3.5 per cent (2011: 4.5 per cent) a year and an expected increase in retirement benefits of 2.0 per cent (2011: 2.0 per cent) a year. The calculations are based on an assumed retirement age of 62 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 3.5 per cent (2011: 4.5 per cent) a year and an average salary increase of 3.0 per cent (2011: 3.0 per cent) a year and an individual career trend for all employees of 0.5 percent per.

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 (BWG) as follows: 60% of the annual bonus is paid out in part 50% as an upfront payment and in part 50% as a phantom share plan with a retention period of one year. 40% of the annual bonus is subject to a five-year deferral period and likewise paid out in part 50% in cash and in part 50%

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 recognised 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) originated in October 2010 from the merger of Raiffeisen International with the main business segments of Raiffeisen Zentralbank Austria AG (RZB) – the corporate banking business together with the affiliated companies. The merger has further strengthened RBI's position as a leading bank in the CEE countries and in Austria. Even before the merger, Raiffeisen International had been able to raise equity capital as a listed company by issuing shares. The merger has provided RBI AG with access to the capital market, allowing the bank to raise debt also via bank-specific instruments, e.g. those traded on the interbank market. A further key advantage of the new Group structure is the optimization of risk management. The integration of service departments enables all markets that had previously been served separately by Raiffeisen International and RZB to be served by RBI AG from a single source in bundled fashion.

In addition, RBI AG operations in Southeast Asia via branches.

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:

- Treasury
- Information technologie
- Accounting and Reporting
- Legal and Compliance

In return, RZB provides services that represent group guidelines, such as group management instruments. These are regulated in four SLAs concerning primarily RZB group corporate responsibility.

Service Relationships between RBI AG and other companies

Service relationships exist between RBI AG and other companies especially in the field of IT. Relevant SLA's are available. Furthermore, hardware and software with a residual book value of EUR 7.0 million, as well as 106 internal employees, were transferred to Raiffeisen Informatik GmbH, Vienna.

Notes on individual balance sheet items

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	31/12/2012	31/12/2011
Loans and advances to credit institutions		
Up to 3 months	12,054.7	14,226.2
More than 3 months, up to 1 year	4,143.8	3,839.2
More than 1 year, up to 5 years	5,846.8	6,482.5
More than 5 years	1,922.3	2,044.6
Loans and advances to customers		
Up to 3 months	8,115.8	9,345.0
More than 3 months, up to 1 year	5,265.3	5,205.5
More than 1 year, up to 5 years	9,487.1	10,301.8
More than 5 years	1,650.7	2,266.8

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	31/12/2012	31/12/2011
Liabilities to credit institutions		
Up to 3 months	14,118.5	22,606.9
More than 3 months, up to 1 year	2,641.5	3,681.1
More than 1 year, up to 5 years	6,673.7	7,265.3
More than 5 years	1,709.6	1,663.7
Liabilities to customers (non-banks)		
Up to 3 months	3,204.1	6,206.2
More than 3 months, up to 1 year	1,217.1	3,297.0
More than 1 year, up to 5 years	870.3	705.4
More than 5 years	2,057.2	1,997.6

Bonds and other fixed-interest securities worth € 819.4 million (2011: € 2,019.6 million) will become due in the next financial year.

Bonds and notes issued worth € 2,236.6 million (2011: € 3,651.1 million) will become due in the next financial year.

Securities

The table below lists the securities approved for trading and treated as asset items, broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities In € million	Listed 31/12/2012	Unlisted 31/12/2012	Listed 31/12/2011	Unlisted 31/12/2011
Debt securities and other fixed-income securities	2,223.0	1.4	5,242.0	94.6
Shares and other variable-yield securities	81.9	20.4	141.0	0.0

Bonds and other fixed-interest securities that have the characteristics of financial investments and are therefore valued as fixed assets amount, including deferred interest, amount to € 1,134.4 million (2011: € 3,807.9 million).

RBI AG sold fixed asset securities in the nominal amount of € 3,105.3 million in the reporting year, realizing a net gain of € 177.7 million:

balance sheet item	Nominal amount in € million	Net gain in € million
Treasury bills and other bills eligible for refinancing with central banks	1,706.5	144.4
Loans and advances to credit institutions	17.1	1.3
Loans and advances to customers	7.4	1.2
Debt securities and other fixed-income securities	1,374.3	30.8
Total	**3,105.3**	**177.7**

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 € 0.4 million (2011: € 38.3 million) to be recognized in the future as expenditure and € 9.5 million (2011: € 48.6 million) to be recognized as income.

In the case of securities 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 € 31.4 million (2011: € 13.2 million).

The item "Loans and advances to credit institutions" contains own bonds that are not admitted for public trading worth € 17.0 million (2011: € 19.1 million).

Securities worth € 58.2 million (2011: € 2,440.0 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognised on the balance sheet.

The volume of RBI's trading book pursuant to Section 22q (2) of the Austrian Banking Act (BWG) is € 235,522.4 million (2011: € 316,482.4 million), with € 813.6 million (2011: € 677.8 million) accounted for by securities and € 234,708.7 million (2011: € 315,804.6 million) accounted for by other financial instruments.

Investments and shares in affiliated companies

The list of investments is shown separately in Note 3. There are no cross-shareholdings and no profit and loss transfer agreements as at 31 December 2012.

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

All hedges still in place were closed out in 2011. No additional valuation units were created following the close-out.

In 2012, as part of the reorganization of the Group's structure, investments in subsidiaries

- Raiffeisen banka a.d., Belgrade, book value € 379.9 million
- Raiffeisenbank Austria d.d., Zagreb, book value € 372.3 million
- Raiffeisen Bank Kosovo J.S.C., Pristina, book value € 26.7 million
- Raiffeisenbank (Bulgaria) EAD, Sofia, book value € 311.7 million
- Raiffeisen Bank Sh.a., AL-Tirana, book value € 101.4 million and
- Raiffeisen Bank S.A., Bucharest, book value € 202.7 million

were integrated into Raiffeisen SEE Region Holding GmbH at their respective book values.

Priorbank JSC, Minsk, as well, was merged with Raiffeisen CIS Region Holding at a carrying amount of EUR 124.8 million.

Polbank EFG S.A. was acquired in April of 2012 for EUR 460 million and merged with Raiffeisen Bank Polska S.A., Warsaw, on the same day. Since the seller of the Polbank received 13 percent in return from Raiffeisen Bank Polska, a put option of EUR 176.4 million was booked on these shares for repurchase. Furthermore, a settlement payment representing the difference between the purchase price and Polbank's equity was capitalized under the closing balance (EUR 180.3 million).

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

In € million	31/12/2012	31/12/2011
Loans and advances to credit institutions		
to affiliated companies	15,581.5	18,453.0
To companies linked by virtue of a participating interest	408.1	414.1
Loans and advances to customers		
to affiliated companies	4,608.3	6,039.8
To companies linked by virtue of a participating interest	572.7	664.2
Debt securities and other fixed-income securities		
from affiliated companies	119.8	81.4
from companies linked by virtue of a participating interest	1.0	165.0
Liabilities to credit institutions		
from affiliated companies	11,080.1	17,639.1
from companies linked by virtue of a participating interest	5,283.4	6,084.3
Liabilities to customers (non-banks)		
from affiliated companies	939.3	606.6
from companies linked by virtue of a participating interest	215.6	549.3

Fixed assets

The statement of fixed assets is shown separately in Note 1.

RBI AG was not directly involved in the leasing business as a lessor in 2012.

The obligations from the use of tangible assets not recognised in the balance sheet amount to € 29.7 million for the following financial year (2011: € 27.7 million). Total obligations for the following five years amount to € 158.9 million (2011: € 147.8 million).

The balance sheet item “Intangible fixed assets” includes goodwill worth € 11.5 million (2011: € 17.3 million). The historical cost of goodwill arising on the merger of the main business segments of RZB and RI stands at € 28.7 million.

The goodwill is written off over a period of five years. This is recognised under other operating expenses.

During the year under review hardware and software with a residual book value of EUR 7.0 million were transferred to Raiffeisen Informatik GmbH, Vienna. This resulted in a loss in book value of EUR 0.9 million.

Capitalized items from previous years were disposed of from fixed assets during the year under review. This reduced their carrying amounts by EUR 11.8 million.

The balance sheet item "Intangible fixed assets" contains intangible assets worth € 2.7 million (2011: € 3.9 million) acquired from affiliated companies.

Own shares

The item "Own shares" amounting to € 13.1 million (2011: € 15,8 million) includes 557.295 (2011: 943,771) own shares (representing 0.285 per cent, or € 1,700 thousand of the total capital stock), of which 469,628 (2011: 596,647) are intended for the share incentive program (SIP). All shares were allocated to the SIP in 2011 and SIP 2012. The shares required for the SIP are obtained from own shares included in the repurchase program. No SIP tranche was issued in 2010 on the occasion of the merger of RI with the main business segments of RZB.

386,476 own shares were required for the payout of the SIP in 2009, of which 131,887 were allocated to members of the Management Board and to selected executives of the former RI, and 254,589 were allocated to executives of network banks. These claims were serviced through suitable use of shares intended for the SIP. For the SIP 2009, were recorded an impairment loss of € 629,556.07. The sale of shares allocated to the executives of affiliated subsidiaries to the corresponding network companies and other companies affiliated with RBI AG resulted in a gain in the amount of € 1,329,930.94.

Own shares for RBI employees dedicated for own shares were additionally written up on an unscheduled basis attributed to the amortized costs.

Other assets

As at 31 December 2012, other assets totaled € 7,995.5 million (2011: € 8,187.8 million). This item also contains loans and advances from treasury transactions (primarily 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 € 7,136.0 million (2011: € 7,723.2 million). This item also includes dividends receivable totaling € 429.7 million (2011: € 118.4 million), loans and advances for coined and uncoined precious metals in the amount of € 67.4 million (2011: € 72.5 million) and loans and advances from payroll amounting to € 10.7 million (2011: € 38.0 million).

Income that does not become available as cash until after the reporting date:

In € million	31/12/2012	31/12/2011
Interest for interest-rate and cross-currency swaps	259.1	283.5
Participation income	429.7	118.4

Other liabilities

Breakdown of other liabilities:

As at 31 December 2012, other liabilities totaled € 7,687.3 million (2011: € 8,948.4 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 € 6,992.8 million (2011: € 8,366.8 million) and interest for participation capital amounting to € 200.0 million (2011: € 200.0 million). It also includes liabilities from short positions in bonds in the amount of € 72.3 million (2011: € 83.1 million). Capital guarantees for funds are valued at € 96.7 million (2011: € 44.6 million).

Expenditure that does not become available as cash until after the reporting date:

In € million	31/12/2012	31/12/2011
Interest for interest-rate and cross-currency swaps	77.0	119.8
Interest for supplementary capital of RBI	12.4	25.1
Expenditure for participations	17.4	17.7

Provisions

Provisions are valued at € 240.3 million, representing a year-on-year decrease of € 2.1 million.

Provisions amount to € 37.2 million (2011: € 33.8 million) for severance payments, € 26.4 million (2011: € 20.4 million) for pensions, € 18.4 million (2011: € 73.8 million) for tax provisions and € 158.3 million (2011: € 114.5 million) for other provisions. Reinsurance policies are in place in the amount of € 11.7 million for pension provisions. Claims under these policies in the amount of € 11.0 million are accounted for under other assets.

Tax provisions of € 18.4 million amount to € 16.0 million (2011: € 52.7 million) for corporate income tax and € 2.4 million (2011: € 6.8 million) for income tax at the Singapore branch. In connection with the completion of the audit 2001-2005, there was an usage of tax provision in the amount of € 51.8 million.

The change in other provisions mainly resulted, on the one hand, from the lower need for provisions for operational risk and, on the other hand, from increased provisions for litigation risk and staff bonuses and premiums. This arises from a higher provision for the performance/deferred bonus. In addition, a provision for losses on bankbook interest rate derivatives was formed.

Breakdown of other provisions in € million	31/12/2012	31/12/2011
Provisions for bonus payments	47.6	40.0
Provisions for losses on bankbook interest rate derivatives	38.8	0.0
Provisions for participations	0.0	4.0
Provisions for process risks	18.9	11.5
Provisions for audit costs	1.1	0.9
Provisions for anniversary payments	8.2	8.2
Provisions for overdue vacation	12.9	13.0
Provisions for guarantee loans	22.1	15.3
Provisions for Supervisory Board fees	0.6	0.5
Provisions for other expenses/outstanding invoices	5.3	5.9
Provisions for operational risk/losses/other	2.8	15.2
Total	**158.3**	**114.5**

Equity

Subscribed capital

As of 31 December 2012, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596,291 thousand. The subscribed capital consists of 195,505,124 non-par bearer shares. After deduction of own shares of 557,295, the stated subscribed capital totaled € 594,591 thousand.

Participation capital

The participation capital according to Section 23 (4) and (5) of the Austrian Banking Act (BWG) issued by Raiffeisen Zentralbank Österreich Aktiengesellschaft and transferred during the merger into Raiffeisen Bank International AG amounted to € 2,500,000 thousand. The participation capital is available for the life of the corporation and the participation issuer may not request redemption. The payment of the first tranche amounting to € 750,000 thousand was made as of 30 December 2008. The payment of the second tranche amounting to € 1,750,000 thousand was carried out as of 6 April 2009. The participation certificates were issued at 100 per cent of par value. They are linked to an 8 per cent profit entitlement from par value per year. For the business years 2014 and 2015, the profit entitlement will be raised by 50 basis points each year, for the business year 2016 by 75 basis points and for every following business year by 100 basis points. The upper limit is 12 month EURIBOR plus 1,000 basis points.

Own shares

The Annual General Meeting held on 20 June 2012 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 8 of the Austrian Joint Stock Companies Act (AktG), during a period of 30 months as of the date of the resolution, of up to 10 per cent of the subscribed capital of the company and to withdraw if applicable. This authorization may be exercised in one or several installments and in pursuance of one or more purposes – with the exemption of securities trading – by the company, by affiliated companies or, for their account, by third parties. The Management Board was further authorized 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 excluding the subscription rights of shareholders. This authorization replaces the authorization to buy back and use own shares that was granted in the Annual General Meeting of 8 July 2010. Since this authorization from July 2012, no own shares were acquired.

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. In fiscal year 2012, 386,476 own shares were allocated to eligible executives and board members on 30 March 2012.

The Annual General Meeting held on 20 June 2012 also authorized the Management Board to acquire own shares for the purpose of securities trading in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG) during a period of 30 months from the date of the resolution, 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 at the Vienna Stock Exchange on the last day of trading preceding the acquisiton. This authorization may be exercised in one or several installments by the company, by affiliated companies or, for their account, by third parties. This authorization replaces the authorization from the Annual General Meeting held on 8 July 2010 for the purpose of securities trading.

Authorized capital

The Management Board was authorized pursuant to Section 169 of the Austrian Joint Stock Companies Act (AktG) by the Annual General Meeting held on 8 June 2011, 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. No use was made of this authorization in the reporting year.

Convertible bonds

In the Annual General Meeting held on 10 June 2008, 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 15,466,750 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 47,174 thousand The subscription right of shareholders is excluded

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 € 47,174 thousand by issuing a maximum of 15,466,750 common bearer shares (contingent capital). The contingent capital increase would only be carried out to the extent that holders of convertible bonds issued under the

resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the company. No convertible bonds have been issued to date, however.

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. € 600,000 thousand of this amount has been utilized. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights.

Capital reserves

The appropriated capital reserves amounting to € 1,852,592,104.11 and the unappropriated capital reserves totalling € 97,066,398.80 did not change at all during the financial year.

Retained earnings and liability reserves

Retained earnings consist of statutory reserves of € 5,500,000.00 (2011: € 5,500 thousand) and other free reserves amounting to € 1,245,985,080.83 (2011: € 1,034,985 thousand). € 13,141,551.59 (2011: 15,806 thoudans) of the other free reserves was reallocated to own shares.

Liability reserves

As at 31 December 2012, liability reserves stood at € 383,015,000.00 (2011: € 383,015 thousand).

Additional own funds from own issues in own inventory

Subordinated bonds

In € million	31/12/2012	31/12/2011
6,625 % RBI debt securities issued 2011(202)1	0.0	2.9
5,875 % RBI debt securities issued 2023(202)3	1.3	0.0

Supplementary capital

In € million	31/12/2012	31/12/2011
Raiffeisen FLR Medium Term Note 2007(2015)	2.1	1.3

In 2012 a volume of 358.7 million of the bond issued by RZB Finance Jersey was acquired on the market and offset against a supplementary capital contribution. Profits from this transaction amounted to EUR 112 million.

Subordinated liabilities

List of subordinated loans (including supplementary capital) that exceed 10 per cent of the total subordinated liabilities of € 3,641.0 million (i.e. that exceed € 364.1 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Capital Fixed FRCN Serie 54	500.0	5/3/2019	6.550%
Subordinated Notes 2021 Serie 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 € 197.4 million (2011: € 190.7 million).

Additional information

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108 (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 2012, the volume of these guarantees was € 2,071 million (2011: € 1,831 million).

As at 31 December 2012, RBI AG also issued capital guarantees in connection with structured financial products, with a guarantee volume of € 196 million (2011: € 279 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 honouring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equalling 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 below-the-line item of one euro on the balance sheet, 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 2012, the following magnitude limited soft letters of comfort had been issued:

Group units	Eligible bank	Exchange	Outstanding amount in € million
Raiffeisen banka a.d., Belgrad	Europäische Bank für Wiederaufbau und Entwicklung, London	EUR	4.3
Raiffeisenbank (Bulgaria) EAD	KfW Frankfurt am Main	EUR	20.0
Raiffeisen banka a.d., Belgrad	KfW Frankfurt am Main	EUR	10.0
Raiffeisen banka a.d., Belgrad	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	30.0
Raiffeisen Leasing d.o.o., Sarajevo	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	4.2
Raiffeisen Leasing d.o.o., Sarajevo	DZ Bank AG, Frankfurt	EUR	13.8
Raiffeisen Rent DOO, Belgrad	WGZ-Bank	EUR	2.5
Raiffeisen Rent DOO, Belgrad	LRP Landesbank Rheinland-Pfalz	EUR	5.8

In addition, there are soft letters of comfort for which an annotation was set of one Euro in the balance sheet:

- Raiffeisen-Leasing Gesellschaft m.b.H. & Co KG, 1020 Vienna,
- Raiffeisen-Leasing Mobilien und KFZ GmbH, 1020 Vienna,
- Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, 1020 Vienna,
- ZUNO BANK AG, 1030 Vienna.

The volume of liabilities to affiliated companies amounted on 31.12.2012 to 5,155.1 million (2011€ 3,736.3 million).

Open capital commitments on share capital in the amount of € 4.0 million (2011: € 4.0 million) exist vis-à-vis European Investment Fund S.A., Luxembourg.

As at 31 December 2012, € 10,886.0 million (2011: € 10,827.0 million) in contingent liabilities was reported below the line. Of this, € 8,869.2 million (2011: € 8,008.4 million) was attributable to guarantees and € 1,952.5 million (2011: € 2,510.0 million) to letters of credit.

As at 31 December 2012, € 12,294.6 million (2011: € 12,179.5 million) in credit risks was reported under liabilities below the line. 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 the balance sheet or in a below-the-line item.

Total assets and liabilities in foreign currency:

In € million	31/12/2012	31/12/2011
Assets in foreign currency	20,290.9	21,426.2
Liabilities in foreign currency	15,819.6	16,042.7

Subordinated assets contained under assets:

In € million	31/12/2012	31/12/2011
Loans and advances to credit institutions	1,001.1	1,003.6
hereof to affiliated companies	997.0	999.5
hereof to companies linked by virtue of a participating interest	1.6	1.6
Loans and advances to customers	19.6	17.5
hereof to affiliated companies	6.8	4.3
hereof to companies linked by virtue of a participating interest	0.0	0.0
Debt securities and other fixed-income securities	81.3	111.0
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	0.0
Shares and other variable-yield securities	20.6	21.9
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	0.0

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

The derivative financial instruments listed in Annex 2 are recognized in the balance sheet at fair value:

Derivatives	Positive fair values		Negative fair values	
In € million	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
Derivatives in the trading book				
a) Interest rate contracts	6,076.4	6,347.3	5,845.3	6,295.0
b) Foreign exchange rate contracts	725.1	944.2	668.9	1,229.2
c) Share and index contracts	0.0	5.0	48.8	60.8
d) Credit derivatives	15.0	89.1	12.9	67.5
e) Other derivatives	4.1	12.4	4.8	13.9
Derivatives in the banking book				
a) Interest rate contracts	0.0	339.2	38.8	426.7
b) Foreign exchange rate contracts	0.0	0.0	0.0	0.0
c) Share and index contracts	0.0	0.0	0.0	24.2
d) Credit derivatives	1.2	75.1	1.9	14.3

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

In € million	31/12/2012	31/12/2011
Indemnification for securities lending transactions	1,743.2	385.5
Loans assigned to OeKB	2,970.7	3,912.6
Indemnification for OeNB tender	514.2	0.0
Loans assigned to EIB	226.8	210.7
Loans assigned to KfW	8.0	0.0
Arrangement deposit in favour of OeKB	0.0	1.9
Trust deposit for domestic credit institutions	0.0	21.1
Trust deposit for foreign credit institutions	19.2	22.8
Margin requirements	45.6	218.8
Cover pool for partial debentures issued	888.5	522.8
Treasury call deposits for contractual netting agreements	1,022.2	1,473.8
Total	**7,438.4**	**6,770.0**

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

	Financial investments In € million	Carrying amount 31/12/2012	Fair value 31/12/2012	Carrying amount 31/12/2011	Fair value 31/12/2011
1.	Treasury bills and other bills eligible for refinancing with centralbank	0.0	0.0	21.4	21.1
2.	Loans and advances to credit institutions	71.1	68.9	160.7	153.0
3.	Loans and advances to customers	675.0	673.8	368.1	365.7
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	0.0	0.0	6.9	6.7
	b) issued by other borrowers	180.5	174.1	2,061.7	1,983.1
5.	Shares and other variable-yield securities	34.9	30.8	20.0	16.8
Total		**961.5**	**947.6**	**2,638.8**	**2,546.4**

An unscheduled writedown (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:

In € million	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	1,743.4	1,506.3	0.0	237.1
hereof: from fixed-income securities	130.1	127.4	0.0	2.7
Income from variable-yield securities and participations	626.7	626.7	0.0	0.0
Commissions receivable	206.7	183.0	0.0	23.7
Net profit or net loss on financial operations	49.1	32.5	0.0	16.6
Other operating income	102.2	101.7	0.2	0.3

Other operating income includes staff and administrative expenses passed on for other non-banking services in the amount of € 75.0 million (2011: € 63.7 million), reimbursements for services provided to the sector totaling € 8.9 million (2011: € 11.6 million), as well as other income from previous periods in the amount of € 11.5 million (2011: € 0.2 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 8.3 million (2011: € 2.9 million) in expenses for severance payments.

The item Net income/expense from the sale and valuation of securities, which are valued as financial assets, as well as shares in affiliated companies and investment includes write-downs of investment book values of Raiffeisen International Invest Holding GmbH, Vienna, in the amount of € 49.5 million, of Raiffeisen Bank Aval JSC, Kiev, in the amount of € 20.0 million, of Raiffeisen Banka d.d., Maribor, in the amount of EUR 10.8 million, as well as of UNIC Beteiligungs GmbH, Graz, in the amount of € 11.0 million. In total investment book values of € 94.0 million were written down (2011: € 291.4 million).

Extraordinary income in excess of € 665.6 million was reported in 2011. This was due to the integration of direct holdings of RBI AG in Raiffeisenbank a.s., Prague, as well as in Tatra banka a.s. Bratislava, into its own subsidiary Raiffeisen RS Beteiligungs GmbH, Vienna, at fair market value in accordance with section 202 of the UGB (Austrian Corporate Code).

Other operating expenses at RBI rose by EUR 34.3 million to EUR 49.2 million in 2012, due in particular to allocations to a provision for bank book derivatives in the amount of EUR 38.3 million.

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.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions. In the 2012 financial year the company had an average of 2,042 employees (2011: 2,057).

Expenses for severance payments and pensions can be broken down as follows:

Values in € 000	Pension expenditure		Severance payments	
	2012	2011	2012	2011
Members of the managing board and senior staff	1,775	3,288	1,584	2,113
Employees	6,239	4,369	8,545	1,997
Total	**8,014**	**7,656**	**10,129**	**4,110**

Management Board

The Management Board of Raiffeisen Bank International AG is comprised as follows:

Vorstandsmitglieder	Erstbestellung	Ende der Funktionsperiode
Dr. Herbert Stepic, Vorsitzender	14. Juni 2001	31. Dezember 2015
Dr. Karl Sevelda, Stellvertretender Vorsitzender	22. September 2010	31. Dezember 2015
Aris Bogdaneris, M.A.	1. Oktober 2004	31. Dezember 2015
Patrick Butler, M.A.	22. September 2010	15. April 2012[1]
Dkfm. Klemens Breuer	16. April 2012	31. Dezember 2015[2]
Mag. Martin Grüll	3. Jänner 2005	31. Dezember 2015
Mag. Peter Lennkh	1. Oktober 2004	31. Dezember 2015
Dr. Johann Strobl	22. September 2010	31. Dezember 2015

1 Patrick Butler, resigned from membership of the Management Board as of 15 April 2012.
2 Due to the resignment of Patrick Butler the Supervisory Board appointed Klemens Breuer as successor for this function for the duration from 16 April 2012 until 31 December 2015 in January 2012.

Supervisory Board

Members of the Supervisory Board	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2016
Erwin Hameseder, First Deputy Chairman	8 July 2010[1]	AGM 2015
Heinrich Schaller, Second Deputy Chairman (since 20 June 2012)	20 June 2012	AGM 2017
Ludwig Scharinger, Second Deputy Chairman	8 July 2010[1]	20 June 2012
Markus Mair, Third Deputy Chairman	8 July 2010[1]	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2014
Kurt Geiger	9 June 2009	AGM 2014
Hannes Schmid	8 July 2010[1]	20 June 2012
Günther Reibersdorfer	20 June 2012	AGM 2017
Johannes Schuster	8 July 2010[1]	AGM 2015
Friedrich Sommer	8 July 2010[1]	AGM 2015
Christian Teufl	8 July 2010[1]	AGM 2015
Martin Prater[2]	10 October 2010	Until further notice
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Sabine Chadt[2]	10 October 2010	18 January 2012
Suanne Unger[2]	18 January 2012	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Effective as of 10 October 2010
2 Staff council delegates

State commissioners:

- Senior Legal Secretary Mag. Alfred Lejsek, State Commissioner (from 1. January 2011)
- Senior Legal Secretary Dr. Anton Matzinger, Deputy State Commissioner (from 1. April 2011)

Remuneration of the Management Board

The following remuneration was paid to the Management Board of Raiffeisen Bank International AG:

€ 000	2012	2011
Fixed remunerations	5,752	5,431
Bonus (performance-related)	2,153	793
Share-based remuneration (performance-related)	3,835	373
Payments to pension funds and business insurances	210	1,703
Other remunerations	1,838	1,694
Total	**13,788**	**9,621**

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

Performance-based remuneration components of the Management Board consist of bonus payments of the year 2012 actually paid and the amount of allotted shares regarding SIP.

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 (BWG), executed in the internal regulations (see employee compensation plans under chapter recognition and measurement principles).

For three members of the Management Board who changed from RZB to RBI AG the bonus calculation for 2010 was performed according to RZB return on equity (ROE). According to the contractual provisions applicable to these persons until the end of 2010 bonus payments were granted, of which € 297 thousand were paid in 2012 and € 644 thousand will be due in 2013. The actual payment is at the discretion of the Personel Committee of RBI AG.

The other remunerations comprise remunerations for membership of boards in affiliated subsidiaries, sign-in bonus, payments to pension funds and business insurances, other insurances and grants.

The stated amounts of fixed and performance-based remunerations are compared to 2011 distorted due to one-offs because of retirements and new entries.

Share-based remuneration

In 2012, a further allotment of the share incentive program (SIP – SIP allotment 2009) matured. In accordance with the terms and conditions (published in euro adhoc on 20 June 2009) the number of shares shown in the table below was actually transferred:

Share incentive program (SIP) 2009 Group of persons	Number of due shares	Amount with share price of € 26.165 at the allotment day (2/4/2012)	Number of effective distributed shares
Members of the management board of the company	158,890	4,157,357	85,605
Members of the management boards of bank subsidiaries affiliated with the company	289,874	7,584,553	248,388
Executives of the company and other affiliated companies	99,758	2,610,168	52,483

In order to avoid legal uncertainties and in accordance with the program's terms and conditions, eligible employees in two countries were given a cash settlement instead of an allotment of shares. In Austria, the eligible parties were granted the option of accepting a cash settlement instead of half of the matured shares in order to offset the wage tax payable at the time of transfer. Therefore, the number of actually transferred shares is lower than the number of due shares. The portfolio of own shares was subsequently reduced by the lower number of actually transferred shares.

Under the SIP, a new tranche was previously issued each year – so also in 2012. However, because of the merger of Raiffeisen International with the principal business areas of RZB, no SIP tranche was issued in 2010. This means that on the reporting date contingent shares for two allotments were assigned. As of 31 December 2012, the contingent allotment of shares came to 675,059 shares (of which 227,161 shares were attributable to the 2011 allotment and 447,898 shares to the 2012 allotment). The originally announced number of contingently allotted shares changed due to various personnel changes within Group units and due to the maturation of the SIP allotment 2009. This is shown on an aggregated level in the following table:

Share incentive program (SIP) 2009-2011 Group of persons	Number of contingently alloted shares as of 31/12/2012	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	245,205	73,562	367,808
Members of the management boards of bank subsidiaries affiliated with the company	282,218	84,665	423,327
Executives of the company and other affiliated companies	147,636	44,291	221,454

In the financial year 2012, no shares were bought back for the share incentive program.

Remuneration of members of the Supervisory Board

€ 000	2012	2011
Remunerations supervisory board	550	423

The Annual General Meeting held on 20 June 2012 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 20 June 2012 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 was paid to the members of the Supervisory Board. In the previous year, the members of the Supervisory Board received remunerations of € 423 thousand.

Moreover, no contracts subject to approval in the meaning of Section 95 (5) items 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2012.

Vienna, 11 March 2013

The Management Board

Herbert Stepic

Karl Sevelda

Aris Bogdaneris

Klemens Breuer

Martin Grüll

Peter Lennkh

Johann Strobl

Annex 1: Statement of fixed assets

Values in € 000		Cost of acquisition or conversion						Writing up/depreciation/revaluation							Carrying amount	
Item	Description of fixed assets	As of 1/1/2012	Exchange differences	Additions	Disposals	Reclass-ification	As of 31/12/2012	Cumulative depreciation as of 1/1/2012	Exchange differences	Cumulative depreciation and amortization disposal	Write-ups	Depr-eciation	Reclass-ification	Cumulated depreciation as of 31/12/2012	31/12/2012	31/12/2011
		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	2,107,289			(1,982,484)		124,805	(15,625)		38,082	2,361	(3,901)		20,917	145,722	2,091,663
2.	Loans and advances to credit institutions	115,035	(212)		(43,775)		71,048	6		(6)	86			86	71,134	115,041
3.	Loans and advances to customers	168,192	(2,052)	5,400	(74,318)		97,222	(1,398)		(1,160)	153			(2,405)	94,817	166,794
4.	Debt securities and other fixed-income securities	3,836,365	(607)	120,442	(2,719,567)		1,236,633	(112,222)	(34)	61,399	9,394	(5,604)		(47,067)	1,189,566	3,724,141
a)	issued by public bodies	6,460					6,460	423			141			564	7,024	6,882
b)	own debt securities	0					0	0						0	0	0
c)	issued by other borrowers	3,829,905	(607)	120,442	(2,719,567)		1,230,173	(112,645)	(34)	61,399	9,253	(5,604)		(47,631)	1,182,542	3,717,259
5.	Shares and other variable-yield securities	20,000		14,883			34,883	0						0	34,883	20,000
6.	Participating interests	38,886		375	(24)		39,237	(8,758)				(11,357)		(20,115)	19,122	30,128
7.	Shares in affiliated undertakings	8,109,283		1,337,360	(39,500)		9,407,143	(680,229)				(86,631)		(766,860)	8,640,283	7,429,054
8.	Intangible fixed assets	273,812	(47)	(462)	(18,423)	2,392	257,272	(179,715)	12	14,170		(30,417)	(581)	(196,531)	60,741	94,097
9.	Tangible assets	60,989	(105)	3,278	(33,915)	(2,392)	27,855	(46,411)	58	29,643	2	(3,699)	581	(19,826)	8,029	14,578
10.	Other assets	0					0	0						0	0	0
	Total	**14,729,851**	**(3,023)**	**1,481,276**	**(4,912,006)**	**0**	**11,296,098**	**(1,044,352)**	**36**	**142,128**	**11,996**	**(141,609)**	**0**	**(1,031,801)**	**10,264,297**	**13,685,496**

Annex 2: Open forward transactions

Name	Up to 1 year	1 year to 5 years	More than 5 years	Total	hereof trading book	positive	negative
	Nominal amount by maturity in € 000					Market value	
Total	**94,011,268**	**102,431,243**	**56,645,649**	**253,088,160**	**226,753,317**	**8,026,454**	**(7,014,568)**
a) Interest rate contracts	**49,063,241**	**86,970,730**	**53,796,152**	**189,830,123**	**169,770,031**	**7,229,638**	**(6,216,209)**
OTC products							
Interest rate swaps	42,709,209	81,451,829	48,525,220	172,686,258	153,249,724	7,014,250	(6,015,184)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	4,348,651	273,156	0	4,621,807	4,621,807	7,147	(7,647)
Interest rate options - buy	700,837	2,506,948	2,334,282	5,542,067	5,108,509	207,259	0
Interest rate options - sell	1,096,000	2,458,297	2,866,744	6,421,041	6,266,041	0	(192,940)
Exchange-traded products							
Interest rate futures	208,544	280,500	69,906	558,950	523,950	982	(438)
Interest rate options	0	0	0	0	0	0	0
b) Foreign exchange rate contracts	**44,509,646**	**13,775,625**	**2,480,049**	**60,765,320**	**55,048,255**	**775,729**	**(731,344)**
OTC products							
Cross-currency interest rate swaps	6,342,083	13,158,985	2,480,049	21,981,117	16,513,719	421,272	(468,343)
Forward foreign exchange contracts	36,122,050	464,121	0	36,586,171	36,336,506	313,412	(222,130)
Currency options – purchased	1,032,204	75,914	0	1,108,118	1,108,117	41,045	0
Currency options – sold	1,013,309	76,605	0	1,089,914	1,089,913	0	(40,871)
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**	**105,981**	**364,448**	**470,429**	**50,638**	**805**	**(48,343)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	0	105,981	316,810	422,791	3,000	805	0
Equity/Index options -sell	0	0	47,638	47,638	47,638	0	(48,343)
Exchange-traded products	0	0	0	0	0	0	0
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	**126,733**	**6,263**	**0**	**132,996**	**132,997**	**4,084**	**(4,927)**
OTC products							
Commodity forward transactions	121,772	6,263	0	128,035	128,036	4,051	(4,839)
Exchange-traded products							
Commodity futures	4,961	0	0	4,961	4,961	33	(88)
e) Credit derivative contracts	**311,648**	**1,572,644**	**5,000**	**1,889,292**	**1,751,396**	**16,198**	**(13,745)**
OTC products							
Credit default swaps	311,648	1,572,644	5,000	1,889,292	1,751,396	16,198	(13,745)

Annex 3: List of investments

Affiliated companies

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
BAILE Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	179,242	(8)	31/12/2012
BUXUS Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	100%	32	(3)	31/12/2011
Central Eastern European Finance Agency B.V., NL(1076) AZ Amsterdam[4]	2,000,000	EUR	100%	2,558	20	31/12/2012
Centralised Raiffeisen International Services & Payments S.R.L., RO(020335) Bucharest	2,820,000	RON	100%	905	(238)	31/12/2012
CP Projekte Muthgasse Entwicklungs GmbH, A(1060) Vienna	40,000	EUR	0%	8,928	10	31/12/2011
Eastern European Invest Holding GmbH, A(1030) Vienna	35,000	EUR	100%	37,141	15,318	31/12/2010
Extra Year Investments Limited, VG-Tortola[4]	50,000	USD	100%	0	0	31/12/2012
FARIO Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	5,355	88	31/12/2012
Ferrokonstrukt-Bauerrichtungen Ges.m.b.H., A(1020) Vienna	4,000,000	ATS	100%	(266)	(5)	31/12/2011
Golden Rainbow International Limited, VG-Tortola[4]	1	USD	100%	138,319	7,260	31/12/2012
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, L(1661) Luxemburg[4]	17,255,049	EUR	100%	22,112	4,412	31/12/2012
Kathrein Privatbank Aktiengesellschaft, A(1010) Vienna[3]	20,000,000	EUR	0%	29,225	3,711	31/12/2012
KIWANDA Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	100%	31	(4)	31/12/2011
LOTA Handels- und Beteiligungs-GmbH, A(1030) Vienna	35,000	EUR	100%	769	94	31/12/2011
NAURU Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	100%	36	(9)	31/12/2011
P & C Beteiligungs Gesellschaft m.b.H., A(1030) Vienna	36,336	EUR	100%	7,216	(941)	31/12/2012
R.L.H. Holding GmbH, A(1030) Vienna	35,000	EUR	100%	1,500	(3)	31/12/2011
Raiffeisen Bank Aval JSC, UA(01011) Kiev[4]	3,002,774,908	UAH	96%	859,286	25,762	31/12/2012
Raiffeisen Bank d.d. Bosna i Hercegovina, BiH(71000) Sarajevo[4]	237,388,000	BAM	97%	254,415	18,756	31/12/2012
Raiffeisen Bank Polska S.A., PL(00,549) Warsaw[4]	1,250,893,080	PLN	100%	1,356,946	(16,197)	31/12/2012
Raiffeisen Banka d.d., SLO(2000) Maribor[4]	17,578,052	EUR	86%	65,461	(8,773)	31/12/2012
Raiffeisen International Invest Holding GmbH, A(1030) Vienna[3]	35,000	EUR	100%	130,900	(30)	31/12/2012
Raiffeisen Malta Bank plc., M-Sliema, SLM1607[4]	340,000,000	EUR	100%	443,725	54,239	31/12/2012
Raiffeisen Research GmbH, A(1030) Vienna	55,000	EUR	51%	66	(44)	31/12/2011
Raiffeisen RS Beteiligungs GmbH, A(1030)Vienna[3]	35,000	EUR	100%	4,531,438	120,190	31/12/2012
RAIFFEISEN TRAINING CENTER LTD., HR(10,000) Zagreb	20,000	HRK	20%	0	0	31/12/2011
Rail-Rent-Holding GmbH, A(1030) Vienna	40,000	EUR	60%	180	(4)	31/12/2011
RB International Finance (Hong Kong) Ltd., HK-Hong Kong[4]	10,000,000	HKD	100%	4,864	726	31/12/2012
RB International Finance (USA) LLC, USA-NY 10036 New York[4]	1,510,000	USD	100%	34,245	17,539	31/12/2012

RB International Markets (USA) LLC, USA-New York, NY 10036	8,000,000	USD	100%	6,088	211	31/12/2012
RBI LEA Beteiligungs GmbH, A(1030)-Vienna	70,000	EUR	100%	67,885	(6)	31/12/2012
Regional Card Processing Center s.r.o., SK(81106) Bratislava[4]	539,465	EUR	100%	3,787	1,504	31/12/2012
REH Limited, CY(3036) Limassol	45,453	USD	100%	45	(380)	31/12/2011
RI Eastern European Finance B.V., NL(1076) AZ Amsterdam[4]	400,000	EUR	100%	13,049	1,990	31/12/2012
RIRE Holding B.V., NL(1076) AZ Amsterdam	2,000,000	EUR	100%	1,775	(80)	31/12/2011
RL Leasing Gesellschaft m.b.H., D(65760) Eschborn[4]	50,000	DEM	25%	673	7	31/12/2012
RSC Raiffeisen Service Center GmbH, A(1190) Vienna	2,000,000	EUR	52%	2,295	6	31/12/2012
RB International Consultants Pte. Ltd., SGP-Singapore (048624)[4]	30,000	SGD	100%	367	(19)	31/12/2011
RBI IB Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	0%	53	17,555	31/12/2012
RBI KI Beteiligungs GmbH, A(1030) Vienna	48,000	EUR	100%	100	(43)	31/12/2012
RBI PE Handels- und Beteiligungs GmbH, A(1030) Vienna	150,000	EUR	100%	48,568	(13,719)	31/12/2011
Stadtpark Hotelreal GmbH, A(1030) Vienna*	6,543,000	EUR	1%	(1,090)	4,581	31/12/2011
Tatra Leasing s r.o., SK(811) 06 Bratislava[4]	6,638,784	EUR	1%	29,384	2,153	31/12/2012
Ukrainian Processing Center PJSC, UA(04073) Kiev[4]	180,000	UAH	100%	16,151	7,399	31/12/2012
ZHS Office- & Facilitymanagement GmbH, A(1030) Vienna[3]	36,336	EUR	1%	231	91	31/12/2012

Companies linked by virtue of a participating interest

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
Unic-Beteiligungsgesellschaft m.b.H., A(8010) Graz	198,436	EUR	28%	6,771	(39,358)	30/11/2012

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 The 2012 annual financial statements are provisional financial statements.
3 For these fully consolidated domestic companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).
4 For the fully consolidated foreign companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

* Acquisition in 2012

Management Report

Market development

Recession in Europe, economic weakness in the USA

At the end of 2011, a recession began in the Eurozone, which continued throughout 2012. Regional performances, however, varied. Whereas Germany and Austria, for example, continued to realize GDP growth during 2012, other countries, particularly in Southern Europe, fell into a deep recession. In the second half of the year, the economic slowdown originating in Southern Europe increasingly extended to the North. And in the fourth quarter of 2012, even Germany and Austria suffered a decline in their economic output compared to the prior quarter. At the end of 2012, economic momentum in the overall Eurozone reached its interim low point. In light of the weak economy, the inflation rate, averaging 2.5 per cent, was also unusually high. This was attributable mainly to the sharp increases in energy and food prices. Since mid-2010, inflation was additionally increased by fiscal measures, especially in the southern countries.

After growing by 4 per cent in the fourth quarter of 2011 compared to prior quarter, the US economy slowed considerably in 2012, achieving a plus of 2.2 per cent. Growth therefore remained below average for US standards, primarily due to declining government spending and a very subdued increase in private consumer spending. As in 2010 and 2011, consumer spending was dampened by weak trends in the US labor market and stagnating real wages. In the second half of the year, limited corporate investment activity slowed economic growth even further.

Different trends in CEE

The economic recovery that began during 2011 in Central and Eastern Europe (CEE) slowed down somewhat during the course of 2012. While the region had registered growth of 3.7 per cent in 2011, it will probably post 2.0 per cent in 2012. Exports remained the main driver of growth, while domestic demand was predominantly weak. Economic trends in CEE therefore continue to be influenced by the Eurozone as the region's main export market. In addition, ongoing consolidation efforts by the public sector are having a negative impact on economic growth.

In the Central Europe region (CE), the economic performance of Poland and Slovakia (as in the prior year) particularly stood out, although economic growth also slowed in these countries. While Poland's economy grew by 4.3 per cent in 2011, it probably lay at 2.0 per cent in 2012. During the same period Slovakia posted a decline in growth, falling from 3.2 per cent to 2.0 per cent. The other three countries in CE were less resilient. Slumping from growth of 1.7 per cent to now minus 1.2 per cent, the Czech Republic slipped into recession in 2012, just like Hungary (2011: 1.6 per cent, 2012: minus 1.7 per cent). In Slovenia, which had achieved growth of 0.6 per cent in 2011, economic output contracted about 2.3 per cent in 2012.

The countries of Southeastern Europe (SEE), which had achieved GDP growth of 1.7 per cent in 2011, exhibited economic showdown with minus 0.3 per cent in 2012. On the one hand, political conflicts slowed the reform process, and on the other hand, austerity measures already taken curbed domestic demand. Moreover, the region's central banks were confronted with conflicting priorities as a result of looming inflation pressure and were unable to support the economy with interest rate reductions.

Despite overall good growth figures for 2012, economic growth in the Commonwealth of Independent States (CIS) also weakened tangibly in the second half of the year. In Russia, growth rates fell to 2.5 per cent in the second half of the year, after 4.5 per cent in the first half. This is attributable to a decline in growth in industrial production and investment, whereas consumer demand supported growth rates. The situation in CIS is unlikely to change in the first half of 2013; therefore following an increase in GDP of 3.1 per cent in 2012, growth of 2.8 per cent is currently expected for 2013.

All in all, economic growth of 2.0 per cent is the forecast from today's perspective for CEE in 2013.

Developments in the Eurozone will remain highly relevant in 2013. Thanks to solid momentum in Russia, where stable oil andcommodity prices will likely continue to support the economy's performance, the strongest growth is expected once again in CIS. Southeastern Europe on the other hand, should probably achieve the most substantial turnaround compared to 2012, improving from minus 0.3 per cent to a forecast 0.9 per cent. Likewise, growth in CE will presumably increase slightly, still driven by Polandand Slovakia. For Slovenia, however, there still is a perceived risk of continued recession in 2013. The situation in Hungary will also remain difficult, where numerous uncertainties (e.g., changes in taxation and an unpredictable political environment) may constitute a further contraction in growth. The Czech Republic is expected to develop positively during the course of the year, but may still exhibit slightly negative economic development in 2013.

Annual real GDP growth in per cent compared to the previous year

Region/country	2011	2012e	2013f	2014f
Czech Republic	1.7	(1.2)	(0.2)	1.8
Hungary	1.6	(1.7)	(0.5)	1.5
Poland	4.3	2.0	1.2	2.5
Slovakia	3.2	2.0	0.9	2.5
Slovenia	0.6	(2.3)	(1.0)	1.0
CE	**3.1**	**0.6**	**0.5**	**2.1**
Albania	3.1	2.0	2.0	3.5
Bosnia and Herzegovina	1.0	(1.3)	0.5	2.0
Bulgaria	1.8	0.8	0.5	2.5
Croatia	0.0	(2.0)	(0.5)	1.0
Kosovo	4.5	3.0	3.0	3.0
Romania	2.2	0.3	1.5	3.0
Serbia	1.6	(1.9)	1.0	2.0
SEE	**1.7**	**(0.3)**	**0.9**	**2.4**
Belarus	5.3	1.5	3.0	4.0
Russia	4.3	3.4	3.0	3.0
Ukraine	5.2	0.2	1.0	3.0
CIS	**4.4**	**3.1**	**2.8**	**3.0**
CEE	**3.7**	**2.0**	**2.0**	**2.7**
Austria	**2.7**	**0.8**	**0.5**	**1.5**
Germany	**3.1**	**0.9**	**0.5**	**1.8**
Eurozone	**1.5**	**(0.5)**	**(0.1)**	**1.5**

Subdued trends in Austria

The economy in Austria has performed only moderately since the second half of 2011. GDP in real terms increased 0.8 per cent in 2012, following growth of 2.7 per cent in 2011. Compared to 2011, government consumption decreased slightly. Private consumption recorded a lower growth rate than 2011 despite favorable trends in employment and wages. Investments as well as imports and exports also grew considerably slower in 2012.

The decline in real GDP on a quarterly basis in the fourth quarter of 2012 should signify the economic trough; an economic recovery – even if not particularly dynamic in the course of 2013 is the most likely scenario. For 2013, GDP growth of 0.5 per cent is expected.

Although inflation in Austria, at 2.6 per cent during 2012, remained above long-term trends, it was still considerably below the level of 2011 (3.6 per cent). For 2013, a decline to 2.2 per cent is expected.

Economic slowdown in Asia

The large Asian economies, China and India, posted a slowdown in their respective economic growth rates in 2012, but still achieved the largest increases compared at global levels. In China, subdued demand for exports from Europe was apparent. Moreover, the Peoples Bank of China maintained a restrictive monetary policy overall despite two interest rate reductions. Additionally, measures taken by the Chinese government in 2011 to contain the looming real estate bubble continued to have a dampening effect on the economy. However, infrastructure projects were started as of the second quarter of 2012 and targeted tax incentives as well as subsidies were granted. The cyclical low point in the economic cycle was thus reached in the third quarter of 2012 and the fourth quarter saw a pick-up in the economy. All in all, China achieved economic growth of 7.7 per cent in 2012, following 9.2 per cent in 2011. Against the backdrop of lower volatility in food and oil prices, the inflation rate declined noticeably and amounted to just 2.5 per cent at the end of 2012.

Sovereign debt crisis becomes a euro crisis

Even though there was a considerable decline during 2012 in market interest rates on the outstanding bonds of both Ireland and Portugal – two countries supported by funding from the European Financial Stability Facility (EFSF) – the financing problems for both the new and old debts of many European countries was a defining element of the trends on the financial markets in the year just concluded.

In March 2012, there was a debt haircut on Greek government bonds that were issued in accordance with Greek law and not held by central banks. Nevertheless, even after this debt relief provided by creditors totaling about € 100 billion, the country's level of indebtedness still did not reach sustainable levels. At the end of 2012, further debt relief was necessary, this time involving a repurchase of bonds by the Greek government at on average 35 per cent of the bond's nominal value. The funding for this measure was provided by the EU and the IMF.

High debts and high budget deficits, as well as significant overall economic problems, led to a further loss of confidence in the government finances of other Southern European countries. In light of the structural problems in several euro countries and the institutional deficits of the Eurozone as a whole, some market participants temporarily questioned whether the Eurozone would even continue to exist. When financing conditions deteriorated even further for Italy and Spain in the summer of 2012, the European Central Bank (ECB) seized the initiative. The ECB announced its willingness to intervene in the secondary markets for sovereign bonds in order to lower interest rates. This commitment was made under the condition of economic reforms as well as an austerity program for public finances, both subject to monitoring by external authorities. Once the prospect of central bank intervention became apparent, the situation on the financial markets eased and refinancing rates for Italy and Spain declined to manageable levels.

The Eurozone's institutional framework was further improved in 2012. For instance, the decision was made to implement a European banking supervisor, and public finances were monitored more effectively as part of the stability pact. In addition, regular reporting was implemented to identify economic imbalances, from which appropriate countermeasures for individual countries must be derived.

Global currencies

After fluctuating in a limited range of 15 cents between EUR/USD 1.20 and EUR/USD 1.35 during 2012, the euro to US dollar exchange rate ended 2012 at EUR/USD 1.32 and therefore lay at the starting point of the year in January 2012. As in prior years, the driver of currency trends was the euro sovereign debt crisis and the central bank policies of both the ECB and the US Federal Reserve. The euro came under significant pressure between May and July 2012, when the debt crisis intensified further and yields on Italian and Spanish government bonds climbed to record levels. The plunge in the euro only ceased when ECB President Mario Draghi announced at the end of July that the ECB was willing if necessary to purchase the government bonds of struggling countries in unlimited quantities. The subsequent recovery of the euro was supported by the US Federal Reserve's renewed plans to acquire significant amounts of government bonds on the market.

Following the announcement in September 2011 by the Swiss National Bank (SNB) that it intended to take unrestricted steps against further appreciation of the Swiss franc, there was initially no further need for action as market participants quickly accepted the exchange rate floor. In April 2012, the euro exchange rate versus the Swiss franc broke through the EUR 1.20 level for the first time – albeit only for a few seconds. The SNB had to actually take action only in May with the resurgence of the euro crisis. As a consequence of its intervention in the foreign exchange markets, the SNB's currency reserves rose from CHF 296 billion in April to CHF 429,5 billion in September. Since then, a noticeable easing is apparent again thanks to the declining levels of intervention by the SNB. The ECB's bond purchasing program had an impact too, contributing to relaxation in the Eurozone that

resulted in a considerable decline in the pressure on the Swiss franc. The currency traded weaker for the first time and in September 2012 exceeded the EUR/CHF 1.21 level, a level the Swiss franc was able to stay close to until the end of the year.

CEE currencies

CEE currencies generally appreciated versus the euro in 2012 because the ECB combated the financial crisis with additional measures and low interest rates. Surprisingly, next to the Polish zloty, the Hungarian forint was the strongest currency against the euro. However, this was mostly attributable to its weakness at year-end 2011/2012, when the EUR/HUF exchange rate rose to a value of more than 320. Further support came – as it did for other CEE currencies – from renewed declines in risk aversion globally. Following a volatile development against the euro in the first six months of 2012, the Polish zloty has since been moving sideways. The Czech koruna, which enjoys "safe haven" status among CEE currencies, moved mainly sideways in 2012, although it was quite volatile. A reduction in the reference interest rate to 0.05 per cent offset a steady appreciation trend, as did verbal intervention by the central bank.

In Southeastern Europe, currencies were very volatile, particularly in the first half of 2012. Ongoing risk aversion, which was reflected primarily in lower foreign investment, a strong decline in transfers from abroad by emigrants, and also political uncertainties – particularly in Romania and Serbia – contributed to considerable downward pressure on rates in these countries. Higher volatility and perhaps even new phases of weakness are also expected for the first half of 2013.

Development of the banking sector

Continued banking sector growth in CEE

With a plus of between 13 and 15 per cent in total, there had been a clear credit growth recovery in CEE during 2010 and 2011, even though the increase during this period was considerably below the levels seen in the pre-crisis years 2004 to 2008. This positive trend continued in 2012, primarily in the first half of the year. Lending increased in particular to corporate customers, thus a widespread credit crunch in CEE did not occur. As economic growth slowed sharply, credit growth in the region also weakened somewhat in the second half of 2012, but overall, there was still nearly a 10 per cent increase in credit volumes in CEE during 2012. Due to the difficult real economic conditions, the first half of 2013 will probably be dominated by rather weak demand for credit. Current forecasts for 2013 expect credit growth of 5 to 10 per cent in both Central Europe and CIS and between 1 and 5 per cent in Southeastern Europe.

Following a plus of 13 and 14 per cent, respectively, in 2010 and 2011, the total assets of the CEE banking sector grew at a slightly lower rate in the reporting period. These growth rates – like those for credit volumes were considerably below the precrisis levels achieved between 2004 and 2008. Forecasts for the coming years predict total assets in CEE to grow at a singledigit percentage rate, with growth rates varying considerably between individual countries. For instance, a plus in the double-digitpercentage range should still be possible in Russia over the next few years, while the increase is likely to be in the high-single-digit ercentage range in Central European countries (except for Hungary). In contrast, only low-single-digit growth in total assets appears possible in many Southeastern European countries in light of the challenging environment. This reflects the high loan portfolios compared with deposits and economic potential, which should lead to low demand for credit in the coming years.

Better financing environment for governments and banks

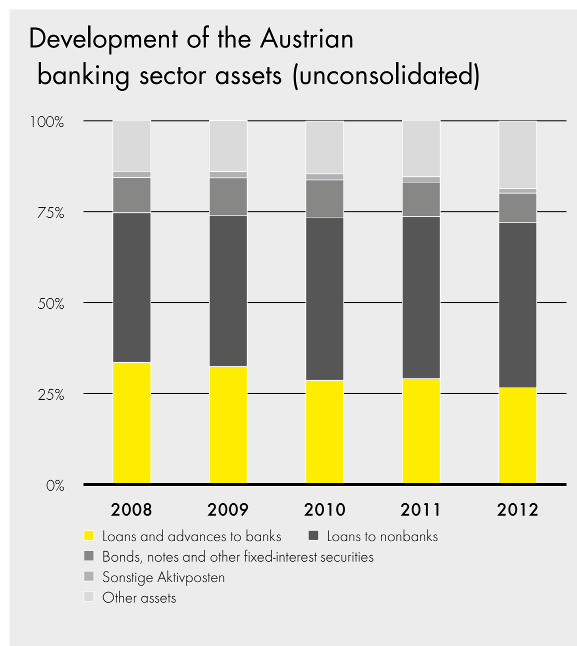
There was a considerable improvement in the financing environment for governments in CEE during 2011 and 2012. This ensured both refinancing and new issues of government bonds on the respective local and global bond markets. Many countries used the favorable environment in the second half of 2012 to prefinance themselves for 2013 and have thus already covered the majority of refinancing requirements for this year. Yields on local government bonds moved sideways for an extended period of time. Indeed, sometimes they even declined due to ongoing expansionary monetary policy in Western Europe and reduction in risk premiums for CEE. At the same time, however, assessments of individual CEE countries differed quite substantially on the bond markets, and risk indicators – such as government indebtedness, budget deficits, balance of payment position and political uncertainty – were reflected in bond prices. Reform-minded CEE countries should also benefit from this differentiation in the future.

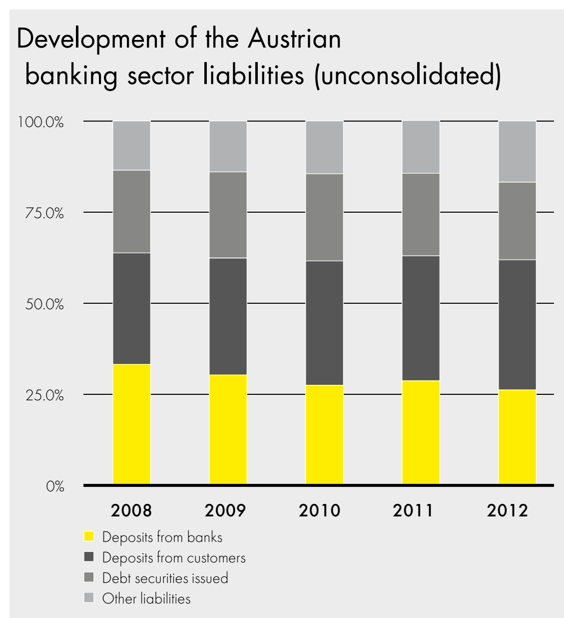
Indeed, risk premiums for several CEE countries are currently even lower than those for several Eurozone countries, such as Italy, Portugal, and Spain, and sometimes even France or Belgium. Nevertheless, the need for support measures involving the IMF for a few isolated, structurally weaker CEE countries with self-made problems cannot be completely ruled out for 2013.

Development of the Austrian Banking Sector

Moderate decline in business volume

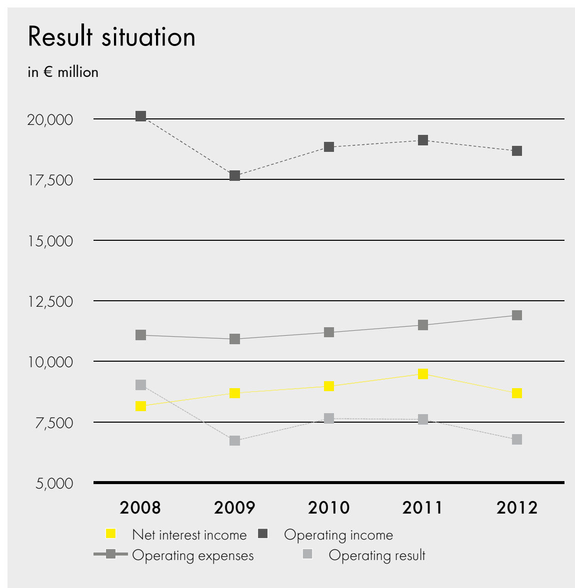
The aggregate business volume of Austrian banks declined by 2.9 percent in 2012, dropping to EUR 964 billion. Receivables from non-banks, at 45.5 percent, continue to represent the largest share of assets for the Austrian banking sector. Liabilities to non-banks rose both in volume (1.1 percent) and in terms of proportion (1.4 percent). They represented the largest share on the liabilities side, at 35.7 percent. The second largest contribution to assets on the balance sheet came from loans and advances to banks with 26.6 per cent, and for liabilities, deposits from banks at 26.2 per cent.





Earnings Situation

It is expected that Austrian banks will post an unconsolidated operating result of EUR 6.8 billion at the end of 2012. This reflects a year-on-year decline of 11 percent. The background of this performance is a decrease in operating income (minus 2.3 percent) and an increase in operating expenses (up 3.5 percent). The positive developments in terms of net interest earnings in the last years were reversed in 2012. The level fell to that of 2009 with a decline of 8.4 percent. Interest income remains extremely significant, though, with a 46.5 percent share in operating income.



The final net period income figures are not yet available. Austrian banks, however, are forecasting a similarly strong result for 2012 of approximately EUR 3.2 billion as in 2010 (2011: EUR 0.8 billion). The individual sectors present an extremely positive image, with the exception of Volksbanken. The Raiffeisen banking group continues to hold the largest share in the entire banking system with approximately half of unconsolidated net income for the period.

The Austrian banks anticipate a significant decline in loan loss provisions (value adjustments) to EUR 2.5 billion for 2012. In 2011 these stood at EUR 7 billion.

ÖVAG Partial Nationalization

The single most remarkable event in the Austrian banking market was the partial nationalization of the Österreichische Volksbanken AG (ÖVAG). In February of 2012 the Republic of Austria reached agreement with the ÖVAG owners regarding the restructuring of the bank. In the course of this process the 5.7 percent share indirectly held by Raiffeisen Zentralbank was diluted as the result of a capital reduction and subsequent capital increase. Currently the share of Raiffeisen Zentralbank in ÖVAG amounts to 0.9 percent. The goal is to pull out completely.

As a further restructuring contribution on the part of RZB, it was agreed that it would contribute EUR 500 million to effect liquidity and EUR 100 million equity capital to the restructuring process, preferably via the takeover of assets. Negotiations on this topic could not be finalized within the period originally envisioned. Agreement is still being sought.

The bank tax called the stability contribution was increased in the context of expenses of the Republic of Austria in respect to restructuring ÖVAG, as well as the remaining nationalized banks, and for the purpose of decreasing the budget deficit. Government subsidies for housing and pension product were also cut in half.

Business of Raiffeisen Bank International AG

Business Development

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For approximately 25 years, RBI 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 17 markets. As a universal bank, it is among the top 5 in thirteen countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. The CEE markets offer interesting opportunities thanks to their higher economic growth compared with that of Western Europe. RBI benefits not only from this growth, but also from the potential resulting from the region's need to catch up in terms of banking services. At the end of 2012, around 57,000 staff serviced approximately 14.2 million customers in around 3,100 business outlets in CEE.

RBI is one of the leading corporate and investment banks in Austria. It primarily serves Austrian customers, but also international customers, as well as major multinational clients operating in CEE. Moreover, RBI is represented in the world's financial centers and operates branches and representative offices in Asia. All in all, RBI employs about 60,000 people and has total assets of approximately EUR 136 billion.

Corporates

The central focus is to provide services to Austrian and international – primarily Western European – corporate clients, grouped together in the Corporate Customers division. These clients include Austria's largest companies, which for the most part enjoy an excellent credit rating. Customer-specific requirements can be quickly identified and resolved together due to RBI AG's regional and industry-specific orientation.

A significant emphasis in 2012 was to considerably strengthen Sales Management on a group-wide basis by introducing strategic planning tools. The relevant measures were successfully implemented. Group-wide strategic planning of customer activities permits more efficient and comprehensive customer service and is a substantial success factor in international corporate banking.

A second area of emphasis encompasses major customer business with Central and Eastern European customers consolidated in the Network Corporate Customers & Support division. In this division, the Global Account Management System already in existence was further optimized to enable RBI to offer its many customers with cross-border operations a customer service experience that is coordinated across the entire Group and – in conjunction with specialized product experts – an even more comprehensive product portfolio (Group products) across the whole network.

Furthermore, business with structured trade finance for commodities trading firms with global operations, as well as documentary business, project finance and export finance, contribute to the positive development in corporate customer business. The major focus of trade financing in Asia was in Singapore, China and Malaysia. In 2012, too, the region performed very well. Singapore contributed significantly to this outcome, thanks to very good results, while China showed a highly negative variance in 2012, due to several loss events. Financing business in the US and Hong Kong is focused on niche businesses with selected products. Trade finance, and also project finance, generally on a syndicated basis, should be highlighted in this area.

Excellent results have been achieved in the Corporate division, despite the equity requirements that were tightened at short notice in the first half of 2012.

Financial Institutions & Sovereigns

Fiscal year 2012 was characterized by a difficult and volatile environment in the international financial markets for the Financial Institutions & Sovereigns division. The reasons for this were the ongoing debt crisis in several Southern European countries for one, and significant regulatory measures on the part of European banking supervision entities for another. An increase in the core Tier 1 ratio to at least 9 percent by the middle of 2012 is key with respect to the latter factor.

An orientation of sales activities to bank products that protect equity and liquidity was once again in the forefront in 2012 in the Financial Institutions & Sovereigns area. RBI was able yet again to emphasize its dominant role in this field as partner in the payment transfer business between East and West and to attract new customers for clearing activities. In addition to the payment transfer area, the customer base was expanded in the banknote business, as well as the custody business. Traditional trade finance business, too, increased. The focus here was on capital goods and commodities supplies for buyers in the growth-driven economies of Asia. In addition to the commercial business activities, capital market products business recorded a good year. Bond issues for the Republic of Austria, the Slovak Republic and Bulgaria, where RBI took a leading role in each case, once again underlining its skills in this branch of business, should be highlighted in this business area.

Traditional loan business with financial institutions was further marked by a clear focus on good customer relationships with high cross-selling potential and a correspondingly selective choice of transactions. This business field was characterized by smaller transaction volumes with shorter loan terms.

Capital Markets

The European debt crisis reached its peak at the middle of the year. Relaxation due to measures and positive signals from the ECB and the EU countries involved set in during the second half of the year. The business division of Capital Markets was able to report above-average earnings, despite the volatile framework conditions and numerous uncertainties.

The business division of Capital Markets was able to report above-average earnings, despite the volatile framework conditions and numerous uncertainties. The currency trading platform FX Raiffeisen, which is already used across the board by RBI subsidiaries, was also implemented by Raiffeisen-Landesbanken and service levels further enhanced by means of the addition of products.

Money market transactions were entered into with very short terms and at a low interest rate level due to persistent excess liquidity. In the secured field, business activities were focused on ECB-eligible bonds and blue chip stocks, used due to their excellent qualities for procuring liquidity.

In bond trading, credit risk in the trading books was kept low and profits were achieved from falling interest rates. One should highlight the above-average results in trading European government bonds. Solid revenues were achieved in the sale of derivatives, in private placements and in structured products. Cooperation within the RBI Group was further expanded. For the first time RBI issues in the CEE markets were permitted via the retail sales network.

Investment activities were defensive, with a strong focus in a balanced risk-return ratio. Narrowing spreads and interest rate movements were exploited in order to earn an extremely satisfactory result.

Treasury

Some 66 percent of wholesale funding of the RBI Group was generated by Group headquarters in 2012.

RBI uses two issue programs in particular for mid-term to long-term refinancing: the EUR 25,000,000,000 Debt Issuance Program and the EUR 20,000,000,000 Raiffeisen Bank International AG Issuance Program. Under these programs, bonds can be issued in different currencies and with different structures. The total volume of outstanding bonds under the programs may not exceed EUR 25 billion or EUR 20 billion respectively. At the end of the 2012, there was a total of EUR 12 billion outstanding in the two programs.

In view of the volatile market environment, RBI implemented its funding plan quickly in 2012. As early as the second quarter, two-thirds of the total funding requirement had been raised through wholesale funding by issuing a senior benchmark bond and numerous private placements. In March, the first benchmark bond was issued as a senior fixed-rate bond with a total volume of EUR 500 million and a term of three years. It was placed at 175 basis points over mid-swaps, with a coupon of 2.875 percent. The issue was significantly oversubscribed.

Prior to the summer recess RBI took advantage of the friendlier market environment and issued a second benchmark bond with a volume of EUR 750 million. This issue, too, was significantly oversubscribed. The five-year bond was marketed with a fixed 2.75 percent coupon, which corresponds to a premium of 165 basis points above mid-swap.

In addition to the senior issues, RBI was able to successfully include subordinated bonds as well. In October it issued the first Tier 2 bond of an Austrian bank in Swiss francs. The bond encountered high demand and was issued well above volume expectations at CHF 250 million. It has a term of 10 years and a coupon of 4.75 percent. The coupon reflects a premium of 385 basis points over the CHF mid-swap rate.

Shortly after the debut bond in Swiss francs, RBI undertook an exchange offer of supplementary capital into Tier 2 capital, which was accepted by approximately half of the investors. This high demand was reflected in secondary market performance. The bond was listed almost one percentage point lower in yield at the end of the year than at the time of exchange.

For short-term funding RBI used both the interbank market and its two programs for short-term issues (commercial paper), the European Commercial Paper Program and the US Commercial Paper Program. Under these two programs RBI issued commercial paper in various currencies, enabling it to refinance outside the interbank market.

In order to diversify its funding sources RBI is also working actively on developing secured refinancing sources, where longer-term funding can be secured by otherwise illiquid assets. The resulting mobilization of assets will be increasingly important in future.

Branches and Representative Offices

RBI has a total of five branches in London, Singapore, Beijing, Xiamen (China) and Labuan (Malaysia). A new branch in Hong Kong will commence operations in the spring of 2013. In addition, RBI has representative offices in Paris, Stockholm, New York, Mumbai, Seoul, Ho Chi Minh City and China (Zhuhai, Harbin). While offices in Milan and Madrid have been closed, the plan is to convert the representative office in Frankfurt into a branch. The requisite approvals have been applied for from the responsible supervisory authorities in Austria and in Germany. The function of the new branch will be to assist corporate customers with capital measures, especially in various forms of receivables financing. Sales support previously provided by the representative office for the RBI Group in business with subsidiaries of German corporate clients in CEE will be intensified. This change is a response by RBI to the increasing significance to the bank of the German corporate customer market.

Results from RBI branches in Asia were varied this year. While earnings declined in Beijing and Xiamen as the result of higher provisions for impairment losses, the Singapore and Labuan branches were able to maintain earnings at the previous year's level, despite a reduction in resources. As a result income before taxes in Asia amounts to approximately EUR 49 million in total. Excellent results have been achieved in Southeast Asia in the investment banking business. An expansion of M&A business is planned in China.

The representative offices, in addition to their communication function, provide important support for optimizing customer relationships for RBI, but also for the entire CEE network, especially at a time of volatile markets and new regulatory requirements.

Financial Performance Indicators

Statement of Financial Position

Raiffeisen Bank International AG's (RBI) total assets decreased in fiscal 2012 by EUR 16.1 billion or 18.4 percent to EUR 71.3 billion.

On the asset side the cash reserve decreased by EUR 6.1 billion to EUR 1.0 billion compared to the previous year, especially due to lower investments in short-term liquidity at ECB/OeNB. As a result the debt instruments from public entities fell 81 percent to EUR 0.5 billion, primarily due to the retirement of Austrian federal bonds. Receivables from banks decreased by 12.5 percent or EUR 3.5 billion to a total of EUR 24.6 billion; the decline reflects a decrease of EUR 3.0 billion primarily vis-à-vis domestic banks. Receivables from customers dropped 8.4 percent, or EUR 2.4 billion, to EUR 25.9 billion and resulted primarily from the decline in receivables from foreign customers (minus EUR 1.7 billion). In total the share of receivables from foreign customers represents 74 percent.

The bonds and other fixed-interest securities were reduced compared to the previous year by 58 percent or EUR 3.1 billion to EUR 2.2 billion. The reduction was due chiefly to the sale of securities. The volume in stocks and other non-fixed-interest securities dropped slightly to EUR 0.1 billion. The item Shares in affiliated companies rose, in large part due to the purchase of minority shares in of subsidiaries, by 16 percent or EUR 1.2 billion to EUR 8.6 billion.

On the liabilities side Liabilities to banks showed a reduction in short-term deposits by 23 percent to EUR 29.1 billion. They represented as ever the largest share of RBI's refinancing base at 41 percent of total assets. Liabilities to banks can be broken down into 51 percent to domestic and 49 percent to foreign banks. Liabilities to customers reflected a balance of EUR 12.4 billion as at the balance sheet date, lower by EUR 4.6 billion than the previous year, which, above all, can be traced back to a lower volume of pension business. The share of liabilities vis-à-vis foreign customers, therefore, was significantly less than that of the previous year at 55 percent.

The item Securitized liabilities, subordinated capital and supplementary capital was down by 12.5 percent or EUR 2.1 billion to EUR 14.7 billion compared to the previous year. The placement volume of new issues was EUR 3.3 billion in 2012 (2011: EUR 3.9 billion), offset by the elimination of securitized liabilities in the amount of EUR 5.0 billion from repayments and retirements. Furthermore, short-term money market certificates in the amount of EUR 0.4 billion (2011: EUR 0.8 billion) were outstanding as at the balance sheet date. The balance sheet item Participation capital in the amount of EUR 2.5 billion as at December 31, 2012, reflected the participation capital subscribed by the Republic of Austria of EUR 1.75 billion in 2009 in connection with the Financial Markets Stability Law.

The own funds requirement as at December 31, 2012, amounted to EUR 2.8 billion, EUR 2.5 billion of which was due to credit risk. This corresponds to a reduction compared to the previous year of EUR 0.8 billion or 21 percent. Eligible core capita (Tier I) amounted to EUR 6.6 billion as at December 31, 2012, roughly EUR 0.2 billion above the previous year. Eligible additional own funds (Tier II) were valued at EUR 3.4 billion as at December 31, 2012 (minus EUR 0.3 billion). Tier III capital amounts to EUR 0.2 billion; all in all own funds total EUR 10.1 billion, a reduction of EUR 0.1 billion. This results in a higher own funds surplus of 258% or EUR 7.3 billion (2011: 185% or EUR 6.6 billion).

The increase in the surplus is primarily the result of retained earnings and lower own funds requirements at the same time. The core capital ratio with respect to total risk amounted to 18.6% in 2012 (2011: 14.2%). The own funds ratio was 28.7% as at December 31, 2012 (December 31, 2011: 22.8%).

Earnings Situation

In fiscal 2012 Raiffeisen Bank International (RBI)'s net interest income fell by 32 percent or EUR 169 million to EUR 361.5 million. This is the result of factors such as low interest rates, high liquidity holdings and lower income from securities, the volume of which has sharply decreased as the result of sales.

Income from securities and investments, higher by EUR 148.4 million at a level of EUR 626.7 million, was chiefly the result of the rise in Income from shares in affiliated companies that were up 28 percent or EUR 134.9 million and resulted from dividends from affiliates in 2012.

The Net balance from commission income and expenses evidenced a slight improvement of EUR 8.6 million to EUR 165.4 million (2011: EUR 156.8 million). The major part of the commission earnings (37 percent) were from income from the securities business (EUR 59.3 billion).

The Net balance of Income/Expenses from Financing Activities resulted in positive earnings of EUR 49.1 million, a decrease of 45 percent from the previous year, which is mainly due to a change in the valuation methodology of capital guarantees, which was necessary in order to adapt to the legally stipulated framework conditions in 2011.

Other operating income rose EUR 21.0 million, reaching EUR 102.2 million. Income from various services for network banks (70 percent) and the parent, RZB AG (6 percent), were reported in this item.

Operating income reached the figure of EUR 1,304.8 million, implying a 2.4 percent drop from the previous year.

On the other hand, the total of Operating Expenses showed a rise compared to the previous year of 14.1 percent to EUR 633.5 million.

Personnel expenses rose from EUR 270.7 million to EUR 272.4 million, resulting from an increase in general salaries and higher expenditures due to allocations to pension and severance payment provisions.

Administrative expenses showed a slight increase by EUR 44.6 million or 18.7 percent to EUR 283.5 million. Expenditures for administration chiefly covered expenses for IT and Communications (36 percent share), as well as the costs of fees for consultancy services and audits (11 percent share).

The Depreciation of tangible assets decreased by EUR 2.3 million to EUR 28.4 million.

Other operating expenses rose in RBI by EUR 34.3 million to EUR 49.2 million in 2012, EUR 38.8 million of which stems from provisions for pending losses for bank book derivatives.

Once operating expenses had been deducted from operating income the RBI reported Operating Results for fiscal 2012 in the amount of EUR 671.4 million, which meant a decrease of 14 percent or EUR 110.2 million compared to the same period in 2011.

The Cost/Income Ratio is thus calculated at 48.5 percent (prior year: 41.5 percent).

Net balance of income/expense from the sale and valuation of receivables and certain securities resulted in a positive balance of EUR 6.7 million in 2012 (2011: minus EUR 59.4 million). Key factors for these results include an increase in individual loan loss provisions at headquarters and in the Beijing branch totaling EUR 101.6 million, liquidation of general provisions due to a change in method of EUR 48.9 million (2011: minus EUR 29.3 million), as well as realized exchange rate gains from sales of other securities in other current assets in the amount of EUR 58.1 million (2011: minus EUR 13.6 million) as well as a gain on the offsetting of additional capital contribution in the amount of € 112 million.

The Net balance of income/expense from the sale and valuation of financial assets rose from minus EUR 183.3 million in 2011 to plus EUR 79.0 million in 2012, due to the sale of fixed asset securities, as well as the reduction in amortization of investments and affiliated companies.

Positive earnings from ordinary activities, in the amount of EUR 757.1 million, therefore, resulted for the past fiscal year, an increase of 40.5 percent over the previous year.

This results in a Return on Equity before Taxes of 11.3 percent (2011: 19.0 percent).

Income tax expenses were down EUR 39.5 million to EUR 16.7 million. Higher provisions for tax payments from previous periods were created in the previous year.

Expenses related to Other taxes rose to EUR 101.6 million, caused primarily by the stability contribution for banks in the amount of EUR 102.7 million, which was compensated to some extent from refunds for other taxes.

A Return on Equity after Taxes of 9.6 percent results (2011: 16.9 percent).

Net income for the period as at December 31, 2012, amounted to EUR 638.8 million (2011: EUR 1,069.9 million). An amount of EUR 211.0 million was allocated to retained earnings.

Participation certificate holders receive a dividend in the amount of EUR 200.0 million from the remainder of net income for the period. Taking into account profits carried forward of EUR 1.3 million, net income for dividends in the amount of EUR 229.1 million remains.

Recommendation for the Appropriation of Profits

The Managing Board shall recommend to the General Meeting that a dividend in the amount of EUR 1.17 per common share be paid out. Based on the total number of shares issued this implies a maximum amount of EUR 228.7 million.

Capital, share, voting and control rights

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

(1) The company's capital stock amounts to € 596,290,628.20 and is divided into 195,505,124 voting common bearer shares. Of those, 557,295 are own shares as of 31 December 2012, which means that 194,947,829 shares were outstanding as of the balance sheet date. Please consult the notes 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 holds around 78.5 per cent of the shares in the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, Vienna. The remaining shares are free float, containing no direct or indirect participations in the capital amounting to 10 per cent or more. The R-Landesbanken-Beteiligung GmbH, Vienna, holds around 78.5 per cent of the shares of RZB directly, and its shares are, in turn, wholly owned by the Raiffeisen-Landesbanken-Holding GmbH.

(4) Pursuant to the company's articles of association, RZB 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 has already held eight supervisory board mandates in a publicly traded company may become a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company counts 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 on, 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. 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. 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 8 June 2011 to increase the capital stock – in one or more tranches – by up to € 298,145,314.10 by issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind within five years after recording the relevant amendment to the articles of association in the commercial register, while preserving the right of subscription to which the law entitles shareholders, including the right of indirect subscription by way of a bank pursuant to Section 153 (6) of AktG, and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is authorized to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

Pursuant to Section 159 (2) 1 of AktG, the capital stock has been increased contingently by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares (contingent capital). The capital increase would only be carried out to the extent that holders of convertible bonds issued under the resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the company. Pursuant to Section 174 (2) of AktG, the Annual General Meeting of 10 June 2008 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2 billion, which grant owners conversion or subscription rights for up to 15,466,750 common bearer shares of the company with a pro rata amount of the capital stock of up to € 47,173,587.50, 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 20 June 2012 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 8 of AktG, during a period of 30 months from the date of the resolution, 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 one or more 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 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 exclusion of shareholders' subscription rights. 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 on 10 June 2008, shareholders' subscription rights may 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 buy back and use own shares that was granted in the Annual General Meeting of 8 July 2010. No own shares have been bought since the authorization was issued in June 2012.

The Annual General Meeting of 20 June 2012 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, 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 one or 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 8 July 2010.

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 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 RZB's principal business area with Raiffeisen International to form RBI 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. No further participation rights have been issued to date. Please consult the notes on equity for more information.

In the course of the merger of the principal business areas of RZB with Raiffeisen International on 10 October 2010, the RBZ issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of € 2.5 billion was transferred to RBI on unchanged terms.

Pursuant to Section 102a of the Austrian Banking Act (BWG), the Annual General Meeting of 8 June 2011 authorized the Management Board, within five years of recording the relevant amendment to the articles of association in the commercial register, to retire either the participation capital in its entirety or the participation capital of individual tranches that were differentiated on issue, with the approval of the Supervisory Board and taking into account the terms of issue. Partial retirement of participation capital of individual issues or tranches is permissible, provided the equal treatment of eligible holders of participation capital is ensured.

(8) The following material agreements 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 exist:

- The company's D&O insurance provides that, if RBI comes under new control due to a merger, the insurance contract automatically terminates without notice and the insurance will only cover events of loss due to breach of duty occurring prior to the merger. In the event of multiple insurance policies resulting from the change in control, the insurance contract also only covers events of loss due to breach of duty occurring prior to the change in control.
- 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 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 agreements concluded by RBI in relation to individual subsidiaries 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 financing guarantees granted to subsidiaries provide for the right of early termination upon a change of control with materially negative ramifications.

(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

Personnel Report

As of 31 December 2012, RBI AG engaged 2,027 employees (measured in full-time equivalents, exclusive of employees seconded from other Group companies), a decrease of 4.1 percent compared to 2011 (2,113 employees). This is due to the spin-off of the IT Operations division to Raiffeisen Informatik Ges.m.b.H; if adjusted for this factor, an increase of 0.5 percent would result. The traditionally very high proportion of female employees as a share of total staff remained at 47 percent. RBI offers both telecommuting and a series of part-time models, in addition to offering flexible working hours without core hours, in order to allow the most optimal integration of work and family life. There is, in particular, continuously strong demand for parental part-time arrangements, so that the share of both male and female part-time employees as at the balance sheet date is 13 percent.

Succession planning is undertaken in all critical functions in order to be able to cope with turnover-related departures. The turnover rate in the period under review was 7.8 percent (it was 7.9 percent for 2011). This figure has been adjusted for the impact of the spin-off of the IT Operations division to Raiffeisen Informatik.

Performance Management

Adjustments to the existing performance management process in line with the legal specifications of the BWG were undertaken in 2012 as well; they were integrated into existing guidelines on performance management.

Furthermore, the chronological and substantive coordination of the budget process with the objectives agreement process was improved together with the Planning & Finance division and performance indicators were revised and fine-tuned.

As part of the implementation of BWG provisions the performance agreements of all employees that are among the so-called 'identified staff' were reviewed to ensure that their objectives were in accordance with the law and random quality controls were conducted for all other employees. Special attention was paid to goals in connection with employee leadership.

Since the performance management process is an electronic system, additional improvements to the Human Resources IT system were undertaken for the benefit of the users.

Talent Management and Management Development

While the 2011 'Top Company for Leaders 2011' study by AonHewitt confirmed the top-notch standard of the existing talent management and management development systems, additional improvement of our integrated talent management system and an increase in the quality of implementation were developed during the year as part of a Group-wide initiative.

Moreover, an international project team with HR experts from Vienna and from network banks together with external specialists analyzed the implementation of the talent management process in Vienna.

Based on the results, concentrated measures in the cross-functional and international rotation shall be prepared in 2013.

Professional Development

In accordance with the Group's strategy, the focus of training activities in 2012 was on professional topics such as capital market products, business with affluent retail customers, risk management and collections. Comprehensive training initiatives on the topic of 'Lean' were started in order to provide management and employees with the right equipment to trim processes and, thereby, enhance efficiency. Basic knowledge is rolled out via eLearning, while practical implementation takes place especially during visits to those Group units in which lean methodology has already been successfully implemented.

Specialist exchange programs for experienced employees, for instance in the divisions of Risk Management and Treasury, were further extended in order to promote cross-border knowledge and experience exchanges.

Career Paths

The revision and enhanced structuring of professional careers was begun in 2011 at RBI, in order to provide employees with appealing alternatives to a management career and to point out prospects for further development to our most valuable know-how bearers and to help retain them in the Company. In 2012 career paths were systematically created for a large number of positions and possible development measures elaborated. This information is provided to all employees, as well as management, to facilitate personalized career design.

Developments in Compensation

Since existing resources are becoming increasingly scarce, greater attention was paid to granting salary increases or bonuses to strong performers based on nuanced performance assessments rather than on a scatter-shot basis.

A considerable share of capacity, not just in Human Resources, but also in the Legal and Risk departments, had to be expended on implementation of special regulations for compensation systems in the banking field in 2012 as well. The general (for all employees) and special (only for executive management, risk buyers and special employees in control functions) remuneration principles that were developed in 2011 had to be implemented.

Every year the companies that belong to the RBI banking group are to be reviewed in detail and a determination should be made as to the extent to which remuneration rules are actually applied. In addition, the positions subject to the restrictive provisions of the BWG are also to be identified every year for all these companies.

Further Development of the Organizational Structure

Optimization of the organizational structure after the 2010 merger continued in 2012. As in the previous year in 2012 the most comprehensive organizational changes took place in the division of Retail Banking, Operations & IT. The IT Operations division with all of its tasks was spun off to Raiffeisen Informatik in accordance with the 2011 organizational development project ('Peacock'). Furthermore, the IT departments were consolidated in order to enhance effectiveness and those departments responsible for Operations in the Head Office were reorganized.

In the Risk department as well, there were several organizational adjustments and redistributions of tasks.

Corporate Responsibility

Future-oriented business – sustainability at RBI

Traditional Raiffeisen values are the foundation for the activities of all Raiffeisen organizations. They are also the key reference points for RBI, as a sustainability-oriented banking group, in the definition of its corporate responsibility. As one of the first responsible-minded bankers, Friedrich Wilhelm Raiffeisen understood that a sustainably organized monetary cycle can create value and be meaningful for all of its participants. The basis therfor was socially aware and responsible thought and action. Social solidarity, helping people to help themselves and sustainability have thus always been the guidelines for how Raiffeisen conducts its business.

One indication that corporate responsibility and sustainability are integral and self-evident aspects of RBI's daily business is the fact that RBI is one of only 22 companies included in the VÖNIX – the first Austrian sustainability index of the Vienna Stock Exchange. The challenges that RBI sets itself in regards to sustainability, and the progress made can be found in the Corporate-Responsibility-Report, which will be published in 2013.

RBI's sustainability management does not only focus on the implementation of operational sustainability measures for RZB, RBI and their network banks, but since 2012 has also acted with the goal of generating added value for all organizations, also as a Competence Center for the entire Raiffeisen Banking Group in Austria. Consequently, expertise is combined and issues of sustainability and corporate responsibility are more strongly integrated into a common business strategy.

Living the sustainability strategy

RBI's sustainability strategy is based on three pillars that equally define the responsibility of and the standards set by the company itself:

- Responsible banker
- Fair partner
- Dedicated corporate citizen

Responsible banker

The most effective lever for making a substantial contribution to sustainable development is in the core business. Hence, RBI sees its primary responsibility as a responsible banker in the granting of loans and the investment of funds. Across all of its business divisions and in all of its products, RBI therefore strives to establish lucrative long-term business relationships while avoiding social and environmental risks.

RBI's Code of Conduct (CoC), which is binding Group-wide, is based on the Raiffeisen core values and oriented toward the specific needs of the daily business, both domestically and abroad. At the same time, it does not constitute only legal requirements, but also provides standards of behavior that give all employees a clear reference point for their actions in a business, ethical and social respect. The CoC is available on RBI's website as well as on the website of each of the associated companies in the respective language.

RBI is a signatory of the UN Global Compact (UNGC), thus committing itself to strict compliance with the ten UNGC principles of responsible business conduct and documents its progress on a yearly basis in the so-called Communication on Progress notification. It also expects corresponding, responsible behavior from its employees and managers, as well as partners and suppliers.

Fair partner

Commercial success and corporate responsibility go hand in hand and have a mutual impact on each other. Stakeholder groups such as employees, customers, partners, suppliers and shareholders benefit from this success. As a fair partner, RBI conducts its business with its stakeholder groups in a transparent and respectful manner. A requirement for this is open and constructive dialog. Such a dialog not only promotes mutual understanding, but also helps to recognize the needs of stakeholders early and to act accordingly. In line with this, RBI conducted a Stakeholder Council meeting - certified as a "Green Meeting" - for the third time in November 2012.

Employees are RBI's most important asset, representing a large stakeholder group. Because RBI's employees originate from more than 50 countries, equal opportunity and integration are two of the key features of the bank's corporate culture. As an employer, RBI is not only committed to the principle of merit, but also creates an environment that enables both professional and personal development. Please see the Human Resources section for more information on the numerous initiatives.

Dedicated corporate citizen

Raiffeisen is committed to a sustainable business model that creates a reasonable balance between a competitive market economy, social responsibility and consideration for natural resources. RBI's commitment extends beyond its core business, pursuing the goals of encouraging desirable social developments, on the one hand, and revealing undesirable developments and counteracting them at various levels, on the other.

Social commitment

Diversity, tolerance and humanism are pillars of RBI's philosophy when it comes to its contributions to a forward-looking development of society. The primary goals of RBI's social commitment are combating poverty, and promoting integration and solidarity. They are put in practice through corporate volunteering programs and partnerships with non-profit organizations and non-government organizations.

Against this backdrop, for example, RBI conducted the Christmas charity "Surprise in a Box" for the fifth time in December 2012. This event involved employees contributing and packing presents for children in need at the Caritas asylum center in Vienna. Employees of Raiffeisen Bank Kosovo participated for one day in the reporting period in the government campaign titled "Clean Up Kosovo," helping to collect trash on public grounds. Furthermore, the bank in Kosovo supported the establishment of soup kitchens for people in need, while Raiffeisenbank Bosna i Hercegovina sponsored contributions for school equipment as part of the project "Book by Book". The H. Stepic CEE Charity, a non-profit association dedicated to improving the living conditions of children, teenagers and women in Central and Eastern Europe, again implemented several projects in 2012. Thanks to the voluntary support by RBI employees, 16 projects in seven countries were realized, including the establishment of a mother-child home in

Moldova, a youth center for street kids in Serbia, educational support for pupils in the resettlement areas in Bosnia and Herzegovina and the financing of a school bus for Roma children in Ukraine. You will find further details on these projects at www.stepicceecharity.org.

Operational ecology

Compared to companies of other sectors, the direct environmental impact of RBI's business activities is limited. Nevertheless, RBI's goal is to minimize the negative environmental impact at all of its locations. This frequently exceeds a mere compliance with statutory regulations and requirements. Last year, for example, a new company building that was constructed in a low energy manner, "space2move," was newly occupied in Vienna. The innovative structure combines optimally air-conditioned office space with low energy costs and a presentable ecological footprint. The certification of the environmental systems for all locations in Vienna in accordance with ISO 14001 has been a matter of course for RBI since 1998. Since 2011, RBI also voluntarily discloses information on its CO_2 emissions as part of the "Carbon Disclosure Project," achieving third place in 2012 among the companies participating from Austria.

Risk Management

Taking and improving risks are an integral component of the banking business. This makes active risk management as much a core competence to the overall bank governance as the management of the bank’s profitability. In order to effectively recognize, classify and contain risks, the Group utilizes comprehensive risk management and controlling.

This function reaches across the entire organizational structure, including all levels of management. It is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the conscious 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.

Capital Requirements

The first six months of 2012 were primarily dedicated to implementing the steps necessary to reach a core tier 1 capital ratio of 9 percent as required by the European Banking Authority (EBA). The largest European banks, including RZB Group, were assigned this target in the fall of 2011 in order to fortify the banking system against the volatile market environment and to improve the stability of the financial markets. RBI itself was not part of the EBA stress tests, therefore there are no detailed results for RBI. Nevertheless, RBI, functioning as part of RZB, has worked on several initiatives to achieve the stipulated ratio. The implementation of these measures was initiated in 2011. This time frame enabled RBI to not only meet the core tier 1 target set by the EBA by June 2012 but also to surpass it by a wide margin.

Risk management also employs firmly established stress tests to assist with capital planning and budgeting. In addition to the regulatory stress tests carried out by the supervisory authorities, internal analyses for further scenarios and potential risk drivers were also conducted in 2012. Market risks, operational risks, increased financing costs and numerous other capital and income components were included in the integrated approach, in addition to the increased capital requirement and high write-downs on the loan portfolio in case of stress.

Liquidity Risk

Liquidity management incorporates findings from past years into the cash flow modeling for the expected base case 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.

In 2012, the planned implementation of the liquidity requirements in accordance with Basel III was again a further issue regarding liquidity risk. Although there is no final draft of regulatory requirements yet, meaning interpretation of these requirements still varies, calculations have already been conducted for RBI and individual Group units. The implementation of the required data landscape and of the corresponding calculation applications constituted a key area of activity in 2012.

Due to the steady improvement in available liquidity on the financial markets and RBI's favorable access to refinancing opportunities, the increased liquidity buffer of 2011 was reduced again over the course of the year under report. At the same time, the structure of the assets contained was optimized. These steps should assist in the strengthening of the net interest margin over the long term, while maintaining an adequate liquidity buffer.

Interest Rate Risk

RBI's net interest income contributes significantly to earnings and thus an important component for capital base stabilization and the success of the bank's business model. To do justice to this significance, interest flows risk management is treated as its own entity by a dedicted unit which is independent from liquidity risk. Here, particularly the impact of different interest rate scenarios on net interest income is simulated. In close cooperation with the frontoffice, RBI prepares for various developments in the markets and can react quickly in the case of negative trends. In 2012, the emphasis in this area was on further developing the available analytical and reporting tools as well as on harmonizing these innovative systems within the Group.

Market Risk

Since January of 2010, market risk management has been based on figures from an internal model. The model uses a hybrid approach, i.e. a combination of historical and Monte Carlo simulations with around 5,000 scenarios, to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest rate changes, credit spreads for bonds, credit default swaps and stock indexes. To improve the modeling of risk factors where the probability of extreme price changes exceeds the probability of normal distribution, the model incorporates numerous add-ins, such as adding extreme events to the scenarios or taking into account current volatility in scenario generation, together with various time horizons in volatility estimation. This model approach offers a suitable basis for implementing the strict Basel III requirements in internal models. The model was also expanded by a stressed VaR module, which has fulfilled all applicable regulatory requirements since December 31, 2011. In order to better measure option risk an additional module was set up in the internal model in 2012, which measures the Vega risks in the Group using a hybrid simulation approach.

The model passed the review process of both the FMA and OeNB and has been used since August 30, 2010 to calculate own funds requirements for foreign currency and general interest rate risk in the trading book for Group headquarters. Daily management includes RBI's trading and bank books based on VaR for a one-day holding period, a 99 percent confidence interval and sensitivity limits. The market risk position, limit process and presentation of all capital market activities in the income statement are some of the regular items on the agenda for the weekly Market Risk Committee meetings.

To ensure the quality of the model, it is subject to daily backtesting. The results of these tests have always been within the range of model expectations and have not shown any substantial flaws even in the last few months. Based on these good results, the internal model can be classified in the best regulatory category ("green light").

Management of Non-performing Loans

2012 was a difficult year for the core markets of RBI; non-performing loans rose by 26 percent or EUR 271 million in RBI AG. RBI also achieved significant process improvements in 2012 in the early identification and handling of at-risk loans, thereby preventing to a great extent a further increase in non-performing loans. Important cornerstones exist in improved process efficiency, continuous measures for improving the training of employees in this area and the ongoing exchange of experience among the individual members of the banking group.

Basel II and III – Regulatory Environment

RBI kept up with the current and the upcoming regulatory developments in 2012. The majority of the expected changes resulted from preparations for the introduction of the EU CRD IV/CRR directive, particularly the legislation with regard to capital requirements, key liquidity figures and deductions for minority interests. The potential impact on RBI of new and amended legislation has been analyzed in detail. The corresponding internal guidelines were adopted where necessary.

In addition to the new Basel III regulations measures already adapted, risk management focused also on the ongoing implementation of the revised Basel II approach in 2012. The Basel II related activities included the implementation of the internal ratings-based (IRB) approach in the retail and non-retail segments of the CEE subsidiaries, further development of internal market risk models as well as additional Group-wide development of the standard approach for operational risk.

Risks arising from financial instruments (Risk report)

Active risk management is a core competency of Raiffeisen Bank International AG (RBI). In order to identify, categorize and manage risks effectively, the Bank develops its comprehensive risk management system on an ongoing basis. Risk management is an integral part of managing the bank as a whole and, as well as taking on board legal and supervisory requirements, looks at the type, size and complexity of transactions and the risks resulting from them. The risk report explains the principles and organizational structure of risk management and sets out the current risk position for all material risks.

Principles of risk management

RBI has a system of risk principles and risk measurement and monitoring procedures aimed at keeping a careful eye on and managing the risks of all banks and all the Bank's specialist companies. Risk policy and the principles of risk management are decided on by the Management Board of RBI; the Bank's risk principles include the following:

- Integrated risk management
  Credit and country risk, market and liquidity risk, equity holding risk and operational risks are managed across the Group as principal risks. In doing so, these risks are measured, limited, aggregated and set against the available risk coverage amounts.

- Uniform methods
  In order to ensure a consistent and coherent risk management approach, uniform methods are applied to assessing and limiting risk across the Group. This manner of acting is efficient in terms of developing risk management methods and forms the basis for unified Group management across all countries and business segments of RBI.

- Ongoing planning
  Risk strategies and risk capital are reviewed and approved as part of the annual budgeting and planning process. In this, a great deal of attention is paid to avoiding a concentration of risk.

- Independent control
  There is a clear division in terms of staffing and functions between transaction activity and all risk management and risk controlling activities.

- Pre- and post-calculation
  Risks are consistently taken into account in product distribution and in risk-adjusted performance measurement. This ensures that transactions in principle are concluded only after due consideration of the risk-reward relationship and that incentives to enter into high levels of risk are avoided.

Organization of risk management

The Management Board of RBI ensures an appropriate organizational structure and ongoing development of risk management. It decides on the procedures used to identify, measure and monitor risk and makes risk management decisions on the basis of the evaluations and analyses produced. In performing these duties, the Management Board is assisted by independent risk management units and specific committees.

Risk management fundamentally takes place at several levels within the Group. RBI develops and implements the appropriate concepts in coordination with RZB as the parent credit institution and in collaboration with the individual Group subsidiary units. The risk management units at RBI often have a dual responsibility: they ensure appropriate execution of the risk management processes across the entire Group, while also implementing the risk policy in the different risk categories and managing the business at RBI within the approved risk budgets.

Central and independent risk controlling as required by the Austrian Banking Act is carried out by the Risk Controlling organizational unit. The responsibilities of this unit include the drawing up of Group-wide and cross-risk-category rules for Group risk management, and independent and neutral reporting on the risk profile to the Management Board as a whole and to the individual divisional heads.

Risk committees

The Risk Management Committee is responsible for the ongoing development and implementation of the methods and parameters used in risk measurement and for fine-tuning the management tools. This committee also assesses the current risk situation, taking account of the need for suitable capital backing and the applicable risk limits. It approves the various risk management and control activities (e.g. the allocation of risk budgets) and assists the Management Board in these activities.

The Market Risk Committee manages market risk arising from trading book and banking book transactions at RBI and determines the relevant limits and procedures. Its management is based in particular on business results, the risks ascertained, the measured limit utilization and the results of scenario analyses and stress tests with regard to market risks.

The Credit Committees are made up of representatives from the market and back office operations, with the staffing of the committees divided up according to client groups for commercial clients, financial institutions and the public sector. They determine specific lending criteria for individual client segments and countries, and they make all relevant credit decisions within the framework of the credit approval process and of the rating and volume-based division of responsibilities.

The Group Asset/Liability Committee assesses and manages balance sheet structure risk and liquidity risk and determines the methods for the internal transfer pricing system. It performs major duties in this context concerned with long-term refinancing planning and the determination of hedging measures for structural interest rate and currency risk.

The Credit Portfolio Committees define the relevant credit portfolio strategy for different client segments. On these committees, representatives of the market and risk management units work together to evaluate the risks and potential of different client groups (e.g. branches of industry, countries, client segments). On this basis, the credit portfolio management develops lending guidelines and limits for shaping the credit portfolio going forward.

Risk management for the Bank as a whole

Ensuring appropriate capital backing is one of the key aims of risk management at RBI. In doing so, the required capital is regularly assessed on the basis of the risk ascertained by internal models, whereby the significance of the risk is taken into account when selecting the models to be used. This Group risk management approach considers capital requirements from both a regulatory perspective (sustainability and going concern perspective) and an economic point of view (target rating perspective). This puts it in line with the quantitative procedure for assessing the suitability of internal capitalization (ICAAP), as required by Pillar 2 of Basel II. The entire ICAAP process at RBI is checked annually by the Austrian Financial Market Authority as part of the supervisory evaluation of the RZB banking group.

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	99.95 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 in preparation	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 reflecting the owners´ willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable core 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

In the target rating perspective, risks are measured in terms of economic capital, which provides a comparable risk number for all types of risk. It is calculated as the sum of unexpected losses from transactions in the different risk categories (credit, equity holding market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible assets. In addition, a general buffer is included at the level of the entire bank for other risk types which are not explicitly quantified.

in € 000	2012	Percentage	2011	Percentage
Credit risk corporate customers	670,244	38.2%	1,107,455	41.0%
Market risk	441,921	25.2%	432,178	16.0%
Credit risk financial institutions	199,695	11.4%	324,133	12.0%
Operational risk	142,546	8.1%	216,089	8.0%
Participation risk	96,704	5.5%	348,689	12.9%
Other tangible assets[1]	58,125	3.3%	0	0.0%
Credit risk sovereigns	50,674	2.9%	27,011	1.0%
Macroeconomic risk[1]	7,912	0.5%	0	0.0%
Liquidity risk[1]	4,699	0.3%	0	0.0%
Risk buffer	83,630	4.8%	245,555	9.1%
Total	**1,756,148**	**100.0%**	**2,701,110**	**100.0%**

1 New items due to ongoing development of calculation of economic capital

In order to calculate economic capital, RBI applies a confidence level of 99.95 per cent, which is derived from the probability of default for the RBI rating aimed at. The aim in calculating economic capital is to ascertain the level of capital that would be required to meet the claims of clients and creditors even in the event of such a rare loss event.

The economic capital shows the greatest risk as being in credit risk for the commercial clients debt category. This makes up 38,2 per cent of total risk, while credit risk as a whole accounts for 52,4 per cent of economic capital. The share for market risk is 25,2 per cent, while a general buffer for other risks is allocated in addition.

Economic capital serves as an important tool in managing risk at the Bank as a whole and is used when allocating risk budgets. Limits for economic capital are also allocated to the individual divisions in the annual budgeting process, while volume, sensitivity or value-at-risk limits are added to them for the purpose of operational management. This planning takes place on a revolving basis at RBI for periods of three years and takes on board both future changes in economic capital and the internal capital available. Thus, economic capital has a significant effect on the planning of future lending and on the overall limit for market risks.

The risk-adjusted performance measurement is also based on this standard of risk. In it, the income of a business unit is set against the economic capital attributable to this unit (ratio of risk-adjusted income to risk-adjusted capital, RORAC). This provides a comparable performance figure for all of the Bank's business units, which is then also used in the overall bank management, future capital allocation in this respect and the remuneration of senior executives.

Going concern perspective

In parallel with the above perspective, appropriate capital backing is also assessed with a focus on the continued existence of the Bank on the basis of the going concern principle. Here, too, risk is set against corresponding risk-bearing capacity – with a view to meeting regulatory capital and equity requirements. During the year 2012, the calculation was updated with regard to the regulations of Basel III in preparation.

In pursuit of the objective of covering risk, expected earnings, expected risk provisions and excess equity (taking into account the different limits on counting them in) are added up to form a total for risk-bearing capacity. This is set against a value-at-risk figure (including expected losses), the calculation of which is based on procedures (with a lower confidence level of 95 per cent) comparable to those used in the target rating perspective. Through this approach, the Bank ensures it is adequately capitalized from a regulatory perspective (going concern) with the desired confidence level.

Sustainability perspective

The aim of the sustainability perspective is to ensure that RBI would maintain a sufficiently high core capital ratio at the end of the multi-year planning horizon, even in the event of an unexpected downturn in the macroeconomic environment. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a severe but realistic economic downturn scenario. The risk parameters include interest rate curves, exchange rates and securities prices, or even changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio at the end of the multi-year period. A minimum sustainable level is set for this figure which will ensure that there is no need for substantial capital increases or wide-ranging restrictions on business volumes. The minimum amount of core capital is thus determined by the size of the potential economic downturn. The need to allocate loan loss provisions, potential procyclical effects that increase regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated in this analysis.

This perspective therefore complements traditional risk measurement based on the value-at-risk concept, which is largely based on historic data. Therefore it can incorporate exceptional market situations that have not been observed in the past and estimate the potential impact of such developments. The stress test also enables the analysis of risk concentrations (e.g. in individual exposures, industries, or geographical regions) and gives insight into the bank's profitability, liquidity and solvency under extreme conditions. RBI's risk management actively manages portfolio diversification on the basis of these stress tests, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to its lending standards.

Credit risk

Credit risk within RBI 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 at RBI, as is indicated by the internal and regulatory capital requirements. Credit risks are therefore analyzed and monitored both on an individual loan and customer-by-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 corresponding tools and processes that have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are integrated directly into the work flow from the customer's initial credit application, through to the bank's credit approval, and finally to the repayment of the loan.

No loans are extended in the non-retail segments without first being run through the limit application process. This process is also consistently applied – in addition to new lending – to increases in existing limits, extensions, overdrafts, and in the event of changes to the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the purpose for which the loan is being used, or collateral) compared to the time the original lending decision was made. In addition, it is also used when setting counterparty limits in trading and issue transactions, for other credit limits subject to credit risk, and for equity participations.

Credit decisions are made on the basis of a hierarchical chain of authority depending on the type and size of a loan. The approval of the business and credit risk management divisions is always required for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is escalated to the next decision-making level.

Credit portfolio management

RBI's portfolio strategy is one of the main methods used to manage the credit portfolio. This strategy limits the exposure in different countries, industries or product types and thus prevents undesirable concentration of risk. In addition, the long-term potential of the different markets is analyzed on a regular basis. This allows for an early strategic repositioning of future lending activities.

RBI's credit portfolio is well diversified both in terms of geographical region and industry. The regional breakdown of credit exposure reflects the broad diversification in European markets. The breakdown of lending by region based on the customer's home country is as follows (countries with a maximum credit exposure of over € 2 billion are shown separately):

in € 000	2012	Percentage	2011[1]	Percentage
Austria	30,355,596	35.0%	43,160,721	40.3%
Far East	8,302,834	9.6%	10,195,644	9.5%
Great Britain	6,363,197	7.3%	6,874,440	6.4%
Germany	5,384,214	6.2%	6,564,952	6.1%
France	4,859,555	5.6%	2,930,549	2.7%
Poland	4,430,655	5.1%	2,511,336	2.3%
Russia	3,196,822	3.7%	3,427,942	3.2%
Romania	2,751,585	3.2%	2,687,040	2.5%
USA	2,478,291	2.9%	3,413,901	3.2%
Swiss	2,006,878	2.3%	2,100,721	2.0%
Ukraine	1,719,556	2.0%	1,988,852	1.9%
Netherlands	1,712,005	2.0%	3,532,012	3.3%
Others	13,123,005	15.1%	17,788,750	16.6%
Total	**86,684,193**	**100.0%**	**107,176,859**	**100.0%**

1 Adaptierung des Vorjahres aufgrund geänderter Zuordnung

Risk policies and credit assessments at RBI also take the customer's industry into account. Lending accounts for the largest exposure by industry; this is mostly attributable to the Austrian Raiffeisen sector as a result of its liquidity balancing function. Exposure to the public sector mostly reflects securities holdings with the Republic of Austria as an issuer.

The table below shows the credit exposure by the customer's industry classification:

in € 000	2012	Percentage	2011	Percentage
Financial Intermediation	50,275,113	58.0%	64,278,615	60.0%
Real estate, renting and business activities	11,682,367	13.5%	12,282,700	11.5%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	7,670,714	8.8%	8,622,820	8.0%
Manufacturing	6,229,093	7.2%	8,062,563	7.5%
Public administration and defence, compulsory social sPerecurity	2,110,631	2.4%	3,991,714	3.7%
Construction	1,739,999	2.0%	1,891,164	1.8%
Electricity, gas and water supply	1,324,945	1.5%	1,463,583	1.4%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,256,181	1.4%	1,247,712	1.2%
Transport, storage and communication	1,178,031	1.4%	1,179,118	1.1%
Education; health and social work; other community, social and personal service activities	787,625	0.9%	1,014,157	0.9%
Others	2,429,496	2.8%	3,142,715	2.9%
Total	**86,684,193**	**100.0%**	**107,176,859**	**100.0 %**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are tailored to the customer and are therefore performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Rating models in the main non-retail asset classes – corporates, financial institutions and sovereigns – rank creditworthiness in ten classes. Customer rating as well as validation is supported by specific software tools (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies used to reduce potential credit risk and is pursued actively. The value of the collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. The recognized types of collateral are defined in the collateral catalogue and the valuation guidelines for collateral that go with it. The collateral value is calculated according to specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract and to keep abreast of the borrower's financial situation. A review of this type is conducted at least once annually in the non-retail asset classes of corporates, financial institutions and sovereigns. This includes a rating review and the re-evaluation of financial and real estate collateral.

Problem loans (where borrowers might run into material financial difficulties, or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in the individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Early involvement of the staff in this department can help reduce losses resulting from problem loans.

According to the internal definition given, default occurs and therefore a loan is deemed non-performing when it is clear that a customer cannot meet the full terms of their credit obligations to the bank or is overdue with a material financial obligation to the bank for more than 90 days. At RBI, twelve separate indicators are used for non-retail customers to determine a debt default. For example, it is deemed a debt default if the customer is involved in an insolvency or similar process, if an impairment provision has been allocated or a direct write-down has been carried out on a customer account receivable, or if the Credit Risk Management has considered a customer account receivable to be not wholly recoverable and the Work-out Unit is considering stepping in to help a company regain its financial strength.

During the course of the Basel II project, a company-wide default database was created to register and document customer defaults. In this database, defaults and default reasons were also recorded, thus making the calculation and validation of default probabilities easier. Risk provisions are created in line with defined guidelines, which are based on IFRS accounting rules, and cover all identifiable credit risks. In the non-retail sector, problem loans are decided on the make-up of individual lending related credit risk provisions.

Country Risk

Country risk covers transfer and convertibility risk as well as political risk. It arises from cross-border transactions or direct investment in third-party countries. RBI is exposed to this risk through its operations in the convergence markets of Central and Eastern Europe, in which some of the political and economic risks are still viewed as significant.

The active country risk management of RBI is based on the country risk policy determined by the board, which as part of the credit portfolio limit system sets a well-defined upper limit for cross-border transactions for individual countries. In day-to-day work, the business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for the counterparties. The definitive upper limit for the various countries is determined using models, which contain the internal country rating and size of the country as well as the capital backing of RBI.

Country risk also influences the internal transfer price system for product calculation and risk-adjusted performance measurement. The Bank therefore offers an incentive for the business units to hedge third-party country risk through insurance (e.g. with export credit insurance agencies) or guarantees. Assessments gained from country risk analysis are not just used to set the upper limit for total volume of cross-border transactions; their application also limits the overall exposure in certain countries (also those that are refinanced by local deposits). In this way, RBI aligns its business operations with the expected economic development in various markets and accelerates the broad diversification of the credit portfolio.

Counterparty default risk

A counterparty default for derivate, pension or securities lending transactions can cause losses through the replacement costs of an equivalent contract. This risk is measured by RBI using the market valuation method, which takes into consideration the current market value and a predefined add-on for any possible changes to the exposure value in the future. The total volume of the potential, expected credit liabilities from derivatives transactions can be found in the tables for the customer segments. For internal control, potential price changes, which influence the fair value of these instruments, are ascertained in an instrument category-specific manner on the basis of historic market value fluctuations.

A prerequisite for the conclusion of derivative contracts is observance of the credit approval process, for which the same risk classification, limitation and monitoring processes apply as in the conventional credit business. A fundamental strategy for the reduction of this risk is the use of credit risk mitigation techniques, e.g. netting agreements and collateralization. In general, RBI strives to establish a standardized ISDA master agreement for all material derivative transactions with market participants related to bilateral netting and a corresponding Credit Support Annex (CSA) to provide risk coverage for current market values on a daily basis.

Investment risk

As a portion of the banking book will also contain risks arising from listed and unlisted investments, they are shown separately in this risk category. The majority of direct or indirect investments by RBI are fully consolidated in the group balance sheet (e.g. network banks, leasing companies) and their risk is recorded in detail. For the risks arising from these investments, the control, measurement and monitoring methods described in the other risk categories are employed.

Investment risk and default risk have similar roots: a deterioration of the financial position of an investment is usually followed by a rating downgrade (or default) on the entity. However, the method used for value-at-risk calculations and internal risk capital calculations for investments is comparable with the method used for price risks on equity holdings. On the other hand, due to the long-term strategic character of investments, annual volatility (rather than daily changes) calculated over several years of observation is used.

The investments by RBI are managed by the investments business unit. This business unit monitors the risks arising from the long-term orientated equity investment and is also responsible for the performance that results. The board of RBI only enters into new investments on the basis of a separate due diligence process.

Market risk

RBI defines market risk as the potential negative change in the market price of trading and investment positions. Market risk is affected by the volatility of exchange rates, interest rates, credit spreads, equity prices and commodity prices as well as other relevant market parameters, e.g. implicit volatilities.

Market risk in the retail sector is transferred to the treasury business unit through the transfer pricing method. Treasury is responsible for the management of these structural risks as well as compliance with total bank limits. The capital markets business unit incorporates proprietary trading, market making and retail operations for money and capital market products.

Organization of market risk management

RBI measures, monitors and controls all market risks at the level of the bank as a whole.

The strategic market risk management role is performed by the Market Risk Committee, which is responsible for the management and control of all market risks. The combined bank limit is set by the board and takes in to consideration risk bearing-capacity and income budget. This limit is apportioned to sub-limits in accordance with the respective company business units according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the transaction volume and product range stay within the defined and agreed strategy and risk appetite. It is responsible for the development and advancement of the risk management process, policies, methods of measurement, risk management infrastructure and systems for all market risk categories and the market risk-induced derivative transaction credit risks. Furthermore, this department carries out the daily independent measurement and reporting of all market risks.

All products in which open positions are held are set out in the product catalogue. New products are first recorded in this list once they have successfully passed the product introduction process. Product applications are subjected to thorough risk analysis and only approved if mapping in the front and back office as well as risk management systems is guaranteed.

Limit system

RBI follows a comprehensive risk management approach for trading and banking books (total-return approach). Control of market risk is consistently applied to all trading and banking books. The following variables are measured and limited in the market risk management system on a daily basis:

- Value at risk (VAR) confidence interval 99 per cent over one-day horizon
  The VaR limit restricts the maximum loss to a confidence interval of 99 per cent, which will not be exceeded within one day. It is the main control instrument in liquid markets in normal market situations.

- Sensitivities (to changes in currency rates and interest rates, gamma, vega, share and commodities prices)
  Sensitivity limits should avoid concentrations in normal market situations and are the main control instrument in distressed situations or in illiquid or structurally difficult-to-measure markets.

- Stop loss
  This limit aids the discipline of the trader when managing proprietary positions, as potential losses are not allowed to mount and instead are quickly closed out.

This multi-stage limit system is supplemented by a comprehensive stress testing environment, in which the potential changes in value for the total portfolio are investigated through the application of various scenarios. The risk concentrations revealed by these stress tests are reported in the Market Risk Committee and the limits are set. Stress test reports for every portfolio are part of daily market risk reporting.

Value-At-Risk (VAR)

The measurement of VAR is based on a hybrid simulation approach in which 5,000 scenarios are simulated and which combines the advantages of historical simulation with those of Monte Carlo simulation The market parameters used are based on historical time series covering 500 days. The distribution assumptions implement modern properties such as volatility declustering, random time change and extreme event containers, in order to well simulate heavy tailed and asymmetric distributions. The model is approved by the Austrian Financial Market Authority as an internal model for measuring equity capital requirements. The VAR results are used not only in risk limitation, but also in economic capital allocation. Additionally, since 2012 stressed-VAR results have been limited. In 2012, an additional module within the internal model was implemented for a better measurement of the option risk. This measures vega risks in the Group with a hybrid simulation approach.

RBI's VAR is dominated by the structural interest risks and spread risks from bond books held as a liquidity buffer.

Trading book VaR 99% 1d	31/12/2012	Avg 2012	Maximum 2012	Minimum 2012
Currency risk	672	803	1,656	448
Interest rate risk	1,541	1,233	7,358	206
Credit spread risik	1,190	1,212	3,837	508
Vega Risiken[1]	649	825	1,384	527
Total	**2,139**	**2,633**	**10,581**	**1,180**

1 October to December 2012

Trading book VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Currency risk	1,005	703	2,001	337
Interest rate risk	4,633	5,852	11,878	2,363
Credit spread risik	812	2,412	8,273	743
Total	**2,665**	**7,813**	**12,673**	**2,665**

Banking book VaR 99% 1d	31/12/2012	Avg 2012	Maximum 2012	Minimum 2012
Interest rate risk	2,005	3,522	11,652	1,235
Credit spread risik	6,548	10,454	17,690	3,475
Vega risk	1,043	1,839	2,912	1,043
Total	**6,867**	**10,575**	**19,203**	**5,825**

1 October to December 2012

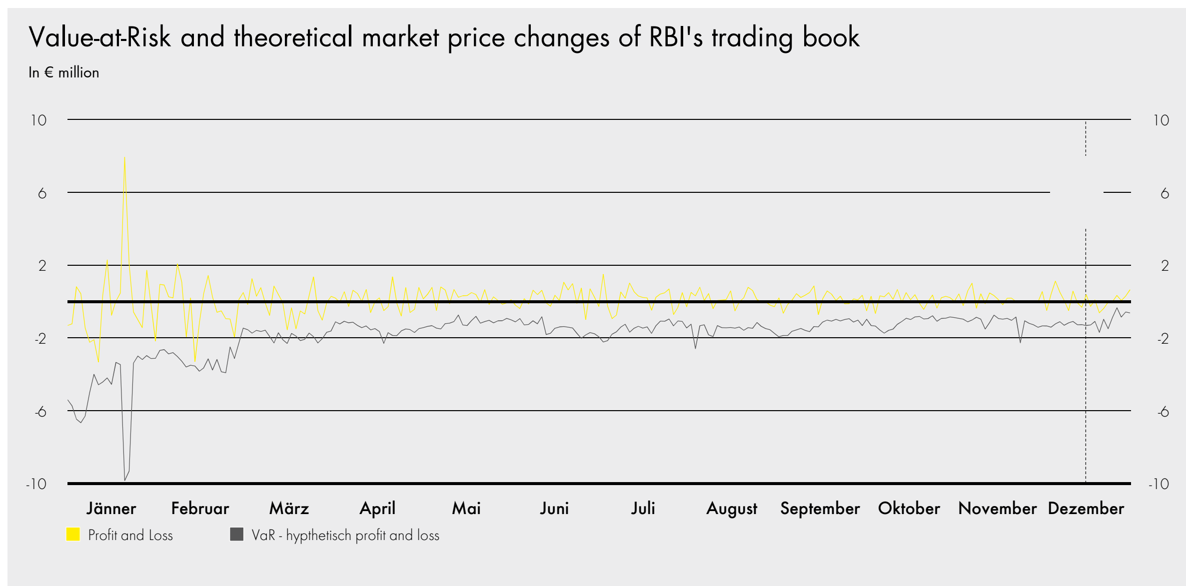
Banking book VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Interest rate risk	9,384	17,315	31,550	6,918
Credit spread risik	10,293	27,700	44,282	7,909
Total	**8,704**	**28,118**	**51,358**	**8,704**

Total VaR 99% 1d	31/12/2012	Avg 2012	Maximum 2012	Minimum 2012
Currency risk	672	803	1,657	448
Interest rate risk	3,247	3,104	8,128	1,173
Credit spread risik	7,279	11,376	18,470	4,256
Vega Risiken	820	1,359	2,406	820
Total	**7,858**	**11,700**	**20,400**	**6,531**

1 October to December 2012

Total VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Currency risk	1,005	703	2,001	337
Interest rate risk	6,494	12,635	27,301	5,007
Credit spread risik	10,618	29,088	44,599	7,824
Total	**7,955**	**28,431**	**48,908**	**7,955**

In addition to qualitative analyses of profitability, the risk measurement methods used are continuously monitored using back-testing and statistical validation techniques and are modified if modeling weaknesses are identified. Last year there were no cases of overshooting in the RBI trading book. The following graphic shows VAR (99 per cent, 1d) for the market risk pitted against the hypothetical gains and losses for the RBI trading book on a daily basis. The blue line is the VAR, showing the maximum loss within one day which will not be exceeded with a confidence level of 99 per cent. The red line shows the associated hypothetical gain or loss on the following day, given the actual movement of the market. It is clear that the model correctly captures the market volatility regime and reacts very quickly to changing circumstances.



Interest rate risk in the trading book

The following table shows the biggest present value changes in the RBI trading book for a parallel increase of one basis point in interest rates (separately for the major currencies with sensitivity greater than € 10,000). There have been significant changes in the relevant risk factors in the reporting period.

31/12/2012	Total	0-3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	> 20 y
CHF	1	0	3	(1)	1	0	0	(4)	4	0	(1)	(1)
CZK	1	0	0	0	1	0	0	0	0	0	-	-
EUR	(175)	8	(51)	6	(24)	10	(44)	(11)	8	(34)	(33)	(9)
GBP	12	8	4	(1)	0	0	0	0	0	0	0	0
HUF	0	0	0	0	0	(1)	1	(1)	0	0	0	0
JPY	2	1	1	0	0	0	0	0	0	0	0	0
NOK	2	1	(1)	0	0	0	2	0	0	0	0	0
PLN	4	0	0	(1)	3	1	1	(1)	1	0	0	0
SEK	(1)	0	0	(1)	0	0	0	0	0	0	0	0
USD	(68)	5	(23)	21	(7)	(9)	27	2	(21)	3	43	(110)

31/12/2011	Total	0-3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	> 20 y
CHF	12	(1)	13	(2)	2	4	(3)	3	(3)	1	(1)	(1)
CZK	1	0	1	0	0	0	0	0	0	0	0	0
EUR	461	(4)	27	51	4	12	170	133	142	(52)	5	(27)
GBP	(2)	(1)	0	0	0	0	0	0	(1)	0	0	0
HUF	1	0	1	0	1	0	(1)	0	0	0	0	0
JPY	(1)	(1)	0	0	0	0	0	0	0	0	0	0
NOK	1	1	0	0	0	(1)	1	0	0	0	0	0
PLN	0	0	0	1	0	0	0	(1)	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0
USD	120	13	(45)	25	6	(40)	14	(9)	32	(65)	(18)	207

Interest rate risks in the banking book

Different maturities and interest rate adjustment conditions for the products offered as well as refinancing from customer deposits and the money and capital markets result in interest rate exposure at RBI. This arises primarily from the incomplete offsetting of interest rate sensitivity of anticipated payments, their interest rate adjustment periodicity and other optional features. Interest rate risks in the banking book exist primarily in the main currencies EUR and USD and in the local currencies of Group subsidiaries in Central and Eastern Europe.

This risk is fundamentally secured by a combination of on-balance-sheet and off-balance-sheet transactions, using primarily interest rate swaps and (to a lesser extent) interest rate futures transactions and interest rate options. Balance sheet management is a core function of the Treasury department, which is assisted in this by the Group Asset/Liability Committee. This uses scenarios and analyses to simulate net interest income for the purpose of ensuring optimal positioning in line with the view of interest rates and in the scope of risk appetite.

To quantify the interest rate change risk in the banking book, the VAR calculation is supplemented by classical methods of capital and interest rate commitment analysis. The present value change in the RBI banking book with a parallel interest rate increase of one basis point is presented separately in the following table for the key currencies. The reduction of interest rate exposure in the banking book is due primarily to the decrease in sovereign bond holdings.

31/12/2012	Total	0-3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	> 20 y
CAD	(9)	0	(10)	0	0	0	0	0	0	0	0	0
CHF	(33)	2	(2)	(1)	6	6	(10)	(3)	2	(24)	(9)	0
CNH	1	0	0	1	0	0	0	0	0	0	0	0
CNY	6	(4)	1	9	0	0	0	0	0	0	0	0
CZK	1	2	(4)	0	1	1	0	0	0	0	0	0
EUR	279	53	(18)	103	162	136	95	1	22	(136)	(35)	(105)
GBP	(1)	(1)	0	0	0	0	0	0	0	0	0	0
JPY	(1)	(1)	0	0	0	0	0	0	0	0	0	0
PLN	(4)	0	(1)	0	(1)	0	(1)	0	0	0	0	0
SEK	(5)	0	(4)	0	0	0	0	0	0	0	0	0
USD	(33)	26	14	11	(21)	(17)	(25)	(21)	0	0	0	(2)

31/12/2011	Total	0-3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	> 20 y
AUD	(2)	(2)	0	0	0	0	0	0	0	0	0	0
CAD	(1)	0	(1)	0	0	0	0	0	0	0	0	0
CHF	(77)	7	0	(1)	1	(1)	(7)	(14)	(25)	(24)	(13)	0
CNY	37	(10)	15	32	0	0	0	0	0	0	0	0
EUR	(536)	61	82	141	130	51	(92)	(573)	(165)	(100)	(1)	(70)
GBP	(3)	(1)	0	0	0	0	0	0	0	(1)	0	(1)
JPY	(3)	(2)	(1)	0	0	0	0	0	0	0	0	0
PLN	(2)	1	0	0	(1)	0	(1)	(1)	0	0	0	0
SEK	(1)	1	(2)	0	0	0	1	(1)	0	0	0	0
SGD	(8)	(1)	0	0	(1)	(3)	(3)	0	0	0	0	0
USD	(70)	26	(19)	(5)	(20)	(11)	(8)	(32)	(1)	2	0	(2)

Credit spread risk

The market risk management system takes into account time-related bond and CDS spread curves as risk factors in determining credit spread risks. This market risk category accordingly reflects the specific interest rate risk for all the capital market instruments in the trading and banking book.

Liquidity risk

Liquidity maturity transformation plays a key role for banks in the international finance market. This is the result of investors' desire to be able to access their investments in the short term and the contrasting desire of borrowers for long-term financing. Performing this function constantly involves surpluses or shortfalls in liquidity, which banks balance under normal market conditions by exchanging liquidity with other financial market participants.

Liquidity management and thus ensuring the bank's solvency at all times is carried out by *Treasury*. An internal monitoring system calculates and analyses payment flows daily by currency. Based on this information, the Bank draws up liquidity balance sheets and carries out analyses to ensure compliance with statutory requirements for liquidity and defined liquidity limits. Other analyses include specifically market and bank-specific crisis situations in scenario-based cash flow forecasts, which are also a matter for the Group Asset/Liability Committee.

Short-term liquidity risk

The following report shows the liquidity surplus and the ratio of anticipated inflows of funds and additional potential liquidity (counterbalancing capacity) to fund outflows (liquidity ratio) on a cumulated basis for selected maturities, including all balance sheet accounts and off-balance-sheet transactions. The calculation is based on expert opinions and statistical analyses, allowing for country-specific differences, and includes assumptions of the prolongation of defined assets, the deposit base for customer deposits, and the acquisition of additional liquidity (particularly through assets eligible for refinancing at central banks and collateral in the securities lending business).

in € 000	2012			2011		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	5,952,588	2,543,436	3,840,108	10,935,914	8,934,745	1,665,197
Liquidity ratio	119%	105%	105%	165%	122%	102%

In order to limit the liquidity risk, limits are used which require a positive liquidity gap in the short term for the liquidity positions modeled. To ensure liquidity in the various currencies, the Bank also maintains extensive liquid holdings of securities and gives preference to tenderable assets in lending. In the event of a liquidity shortage, contingency plans are used.

Structural liquidity risk

Structural liquidity risks are triggered primarily by a change in lenders' risk appetite or a deterioration of a refinancing bank's rating. Refinancing costs and opportunities rise and fall with the risk premiums demanded, which vary depending on the specific market and institution.

The long-term refinancing potential accordingly depends on general restoration of trust in banks and the increased effort to bring in savings. RBS refinances through money and capital market transactions, and also acts as a central liquidity balancing entity for the various local group companies in Central and Eastern Europe.

The RBI refinancing plan pays special attention to a balanced financing structure in order to contain the structural liquidity risk. Funds are accepted within the Group not only by RBI as the parent company but also by many subsidiary banks, then coordinated and optimized under a common concept. RBI also enables its subsidiaries to borrow in the medium and long term through syndicated loans, bilateral bank refinancing and global loans by supranational institutions. These refinancing sources are utilized on the basis of long-standing business relationships.

Operational risks

Operational risk is the risk of losses due to the inadequacy or failure of internal procedures, people and systems or external events, including litigation risk. Within this risk category, both internal risk factors – e.g. unauthorized actions, theft and fraud, processing and procedural errors, business or system outages – and external risk factors – including damage to physical assets and fraud – are monitored and managed.

The analysis and management of these risks is based on an internal historical collection of data on losses and the results of risk evaluation. Another element in management is an incentive system for internal capital allocation which rewards high data quality and low anticipated losses by individual business units.

Analogously with the other risk categories, the RBI applies the principle of separation of functions in risk management and controlling for operational risk as well. The risk controlling units for operational risk in the individual Group units are responsible for implementing and improving operational risk management (e.g. carrying out self-assessment, defining and monitoring early warning indicators) and reporting to central operational risk controlling. The segment management implements management and reduction measures for operational risk. It decides on the use of management instruments, e.g. taking out insurance or other risk reduction procedures.

Risk identification

A key step in managing operational risks is the identification and evaluation of risks that would endanger the continuing operations of the Group (although these have a very low probability) and other segments where losses are more frequent (although involving only minor losses).

OOperational risks are evaluated in a structured and uniform manner throughout the Group using a two-dimensional matrix for generic business processes and types of events (depending on the area of business or product group) and are evaluated for all new products. All Group units evaluate the effect of probable events with small losses (high probability/low impact) and improbable events with major loss potential (low probability/high impact) for a time horizon of one year or ten years in relation to earnings. The low probability/high impact events are measured using standardized scenarios. Group units also apply other scenarios customized for their risk profile and local situations. In 2012, RBI carried out internal analysis as a result of external events in other institutions.

Monitoring

Early warning (key risk) indicators are used to monitor operational risks, making prompt recognition and lower of losses possible. Operational losses are recorded in the central ORCA (Operational Risk Controlling Application) database, broken down by business area and type of event. Such a collection of data on losses will make it possible in the future to implement statistical loss distribution models, and is a requirement for applying the standard approach. This data on losses (together with documentation of losses that ultimately fail to materialize) also provides a basis for scenarios for risk identification and sharing with international loss databases for developing more advanced measurement techniques.

The results of the analyses and cases of operational risk are reported regularly and comprehensively to the Risk Management Committee. Since 2010, RBI has been participant in the ORX data pool, whose data are currently used for internal benchmark purposes and analyses.

Measurement and risk reduction

RBI currently uses the standard approach (STA) for capital backing for operational risk in accordance with Basel II. In order to reduce operational risk, segment managers use primarily preventive measures to reduce and transfer risk, the progress and effectiveness of which are monitored by risk controlling. The management also develops crisis plans and identifies individuals or departments to initiate the necessary measures if losses actually occur. In addition, a number of specialist units support the segments in avoiding operational risks. Fraud Management plays a key role in this, using monitoring and preventative measures to combat fraud. RBI also carries out extensive staff training on an ongoing basis, and has a wide range of emergency plans and backup systems.

Internal control and risk management system for accounting

For Raiffeisen Bank International AG (RBI), establishing and structuring an appropriate internal control and risk management system for accounting is a matter of crucial importance. The annual financial statements of RBI are prepared in the Financial Accounting department, which is in the CFO's executive department. Foreign branches supply financial statements to Head Office, for which they are directly responsible.

The Group's annual financial statements are drawn up on the basis of Austrian laws governing the preparation of consolidated financial statements, primarily the Austrian Banking Act (BWG) and Business Enterprise Code (UGB).

At RBI the general ledger is kept on the core bank system GEBOS, which also handles the sub-ledger function of credit and deposit processing (GIRO). There are also a number of other sub-ledgers, specifically:

- Wall Street Systems (Treasury business)
- GEOS and GEOS Nostro (securities processing and nostro securities management)
- Payment transfer business
- Banktrade (guarantees and letters of credit)
- UBIX (securities derivatives)
- SAP (debtors, creditors, investment accounting)

The accounting process can be described as follows:

- Current accounting: The accounting records are entered both directly in GEBOS (loan and deposits processing) and indirectly through various sub-ledgers (subsystems), the entries of which are aggregated and passed through interfaces to the general ledger (GEBOS).
- RBI's individual financial statements are compiled in accordance with UGB/BWG and IFRS. Based on the raw balance sheet from GEBOS, a large number of supplementary accounting entries are made. This is then the basis used to prepare the balance sheet and income statements in accordance with UGB/BWG.

Control system

The RZB Group Directive Database can be used to call up all instructions. For accounting purposes the Group Accounts Manual is particularly important, which includes a description of the following:

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

In addition, there are guidelines which only affect RBI or intradepartmental functions. As examples for accounting, guidelines can be cited which govern the process for settling incoming invoices or managing clearing accounts.

Risk assessment

The assessment of risks of incorrect financial reporting are based on various criteria. Valuations of complex financial instruments can lead to an increased risk of error. In addition, the assets and liabilities must be measured in preparing the annual financial statements, where there is a risk in the impairment testing of receivables, securities and equity investments based on estimates of future developments.

Control measures

The key control measures cover a number of reconciliation processes. In addition to the cross-check principle, there are automated controls and monitoring instruments related to the degree of risk. Examples include reconciliations between the general ledger and sub-ledgers and the reconciliation of results between Financial Accounting and balance sheet risk management. The functions assigned to the individual offices are documented in writing and continuously updated. Particular attention is paid to ensuring functional deputization arrangements to avoid problems with appointments if a staff member is absent.

The annual financial statements and management report are reviewed by the Supervisory Board Audit Committee and are also adopted by the Supervisory Board. They are published in the Wiener Zeitung and entered in the commercial register.

Information and communication

There is an ongoing exchange of information between the departments about the booking and accounting of products. With the devisions Capital Market and Treasury there are regular monthly meetings where the accounting of complex products is covered. Regular departmental meetings ensure that staff constantly receives training on new features in UGB/BWG and IFRS accounting.

As part of the reporting procedure, the Management Board receives monthly and quarterly reports analyzing RBI's results. The Supervisory Board also receives reports on results at its regular meetings, ensuring monitoring of the internal control system.

External reporting is largely limited to the consolidated results of RZB. Reports are half-yearly. In addition to the consolidated financial statements, a half-year financial report is also published for the Group. There are also ongoing regulatory reporting requirements for the FMA.

Monitoring

The Management Board and the mid-office departments are responsible for ongoing company-wide internal monitoring. The quality of the ongoing monitoring is ensured by the activities of the Internal Audit department. This reports regularly to the Management Board and Supervisory Board Audit Committee.

The consolidated financial statements for publication are submitted to senior managers of the Accounting & Reporting department and the CFO for final approval and then submitted to the Supervisory Board's Audit Committee.

Events after the balance sheet date

There were no material subsequent events after the reporting date.

Outlook

Economic prospects

Central Europe

2012 brought a decline in economic output in the CE region, mainly caused by the weak trend in the Eurozone, as the main consumer of exports from Central Europe, as well as by the decreasing leeway left to public authorities, for example in Poland and Slovakia, to fight the economic downswing in Western Europe. While the economy contracted in the Czech Republic, Hungary and Slovenia, Poland and Slovakia continued to report positive growth rates in 2012, despite the cooldown. Following this cooldown – particularly noticeable in the second half of 2012 – moderate economic recovery is expected for 2013, especially during the second half of the year. It is, however, probable that in the Czech Republic (forecast: minus 0.2 per cent), Hungary (forecast: minus 0.5 per cent) and Slovenia (forecast: minus 1.0 per cent), GDP will decrease again slightly in 2013, whereas it may continue to exhibit slight growth in Poland (forecast: plus 1.2 per cent) and Slovakia (forecast: plus 0.9 per cent). This will remain largely dependent on export demand from the Eurozone, however.

Southeastern Europe

The economic situation in Southeastern Europe also suffered from the decline in exports caused by the Eurozone's difficulties. Ongoing weak investment activity in the region further weighed on economic performance. As a result, growth could be very low in some countries, or even not occur at all. It is also likely that consumer spending in the region will remain modest due to subdued credit growth, a decline in transfers from Southeastern Europeans working abroad and ongoing high unemployment. Although exemplary, the austerity measures undertaken by Southeastern European governments have inhibited growth and created political risks at times. Nonetheless, first indicators already suggest a slight economic recovery. Hence, forecasts project GDP growth of 0.9 per cent for the overall region in 2013, though economic activity is unlikely to gain momentum before the second half of the year.

CIS

Following an increase of 3.4 per cent in 2012, experts forecast real GDP growth of about 3 per cent for the current year. This slight decline results from expectations of slower investment momentum, on the one hand, and limited growth potential in the export sector, which is strongly dominated by commodities, on the other. Furthermore, household demand, so far the main growth driver, is likely to lessen to some degree amid weaker credit growth. This should, however, be limited to the first half of 2013, before the economy will start to brighten up again in the second half of the year. Ukraine, in turn, is struggling not only with a weak economy, but also with high foreign economic imbalances. Although its current account deficit should decline somewhat in 2013, it, in combination with a high refinancing need in the public sector, weighs on the country's external liquidity situation. At the beginning of 2013, Ukraine began negotiations with the International Monetary Fund (IMF) regarding a new aid package. During the second half of 2012, Belarus also recorded a deterioration in external conditions. Nevertheless, GDP is expected to rise here by 3.0 per cent in 2013, thereby posting a year-on-year increase in economic growth.

Eurozone

Following the continued recession in the fourth quarter of 2012, several leading indicators are showing the first signs of a stabilizing economy. Particularly trend indicators, usually the first indicators of a change in economic momentum according to experience, displayed considerable improvement. However, the picture still varies widely in individual countries. Currently Germany and Southern Europe are primarily responsible for the improvement in prospects. Although the recession is slowing in Southern Europe and the reduction in economic imbalances is progressing, it is difficult to assess exactly when improved export performance and increasing private sector investment will in fact lead to recovery. Thus, the expected economic revival in the Eurozone during the first half of 2013 still has a narrow base and depends on exports in particular, since domestic demand will likely remain weak. All in all, an economic recovery in 2013 is not guaranteed. It does appear possible, however, that the Eurozone can work its way out of recession during the first half of 2013 and that a moderate recovery will follow.

Asia

Following a period of weak economic growth in the first three quarters of 2012, the Chinese economy regained momentum in the fourth quarter. This trend is likely to intensify in the first half of 2013, supported primarily by infrastructure projects initiated in 2012. Due to the global economic recovery, exports should also increase again significantly in the second half of 2013. Overall, experts therefore forecast GDP growth of 8.5 per cent for 2013. Despite low inflation, further monetary easing is unlikely to occur as the government is trying to counteract an increase in real estate prices and growth in shadow banking. From a fiscal policy perspective, however, further tax reforms and reductions, among other initiatives, are pending. The Indian economy should likewise

regain momentum in 2013, following a decline in growth in 2012. Significant recovery is to be expected, particularly in the second half of the year. Reduced interest rates and an improved business environment are likely to lead to a considerable surge in investment, on the condition of a positive global environment favoring foreign capital inflows. India is likely to achieve economic growth of 6.7 per cent for the full year.

Outlook for RBI

In the context of the expected overall economic developments, particularly in CEE, we are aiming for a return on equity before tax of around 15 per cent in the medium term. This is excluding any capital increases, as well as unexpected regulatory requirements from today's perspective.

In 2013, we plan to slightly increase loans and advances to customers. Given the outlook for interest rates, we aim to maintain the net interest margin at the level relative to the previous year. From the customer standpoint, we plan to retain our Corporate Customers division as the backbone of our business and in the medium term to expand the proportion of business volume accounted for by our Retail Customers division.

In light of the economic prospects, the situation remains tense in several of our markets. In 2013, we therefore expect a similar net provisioning requirement as in the previous year.

In 2013, we will once again pay increased attention to cost development. We expect a flat or slightly increasing cost base, particularly due to the first-time full year consolidation of Polbank.

Against the backdrop of a permanently changing regulatory environment and further strengthening of our balance sheet structure we are continuously evaluating the level and structure of our regulatory capital to be able to act promptly and flexibly. Depending on market developments, a capital increase also continues to be a possible option.

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 2012 to 31 December 2012. These financial statements comprise the balance sheet as of 31 December 2012, the income statement for the year ended 31 December 2012 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 2012 and of its financial performance for the year from 1 January 2012 to 31 December 2012 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, 11 March 2013

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler

Wirtschaftsprüfer

Mag. Bernhard Mechtler

Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

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

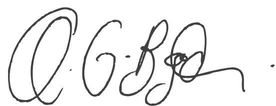
We confirm to the best of our knowledge that the financial statement give a true and fair view of the assets, liabilities, financial positions and profit or loss of the company as required by the applicable accounting standards and that the management report gives a true and fair view of the development 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, 11 March 2013

The Managing Board

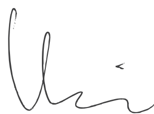
Herbert Stepic
Chief Executive Officer responsible for Group Strategy, Human Resources, Internal Audit, Legal & Compliance, Management Secretariat, Organization & Internal Control System and PR, Marketing & Event Management

Karl Sevelda
Deputy to the Chief Executive Officer responsible for Corporate Customers, Corporate Sales Management & Development, Group Products and Network Corporate Customers & Support



Aris Bogdaneris
Chief Operating Officer responsible for Consumer Banking, Group & Austrian IT, Group Project Management Office, Head Office Operations, International Operations & IT, IT - Markets & Treasury, Lean & Service Excellence and Small Business & Premium Banking

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



Martin Grüll
Chief Financial Officer responsible for Investor Relations, Planning & Finance, Tax Management and Treasury

Peter Lennkh
Member of the Management Board responsible for International Banking Units and Participations

Johann Strobl
Chief Risk Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Workout