

# **Semi-Annual Financial Report as of 30 June 2012**



# Survey of key data

Raiffeisen Bank International Group Monetary values in € million	2012 1/1-30/6	Change	2011 1/1-30/6
<b>Income statement</b>	<b>30/6</b>		<b>31/12</b>
Net interest income	1,716	(3.6)%	1,781
Net provisioning for impairment losses	(400)	(1.3)%	(405)
Net fee and commission income	721	(2.2)%	737
Net trading income	212	(17.2)%	256
General administrative expenses	(1,518)	0.2%	(1,514)
Profit before tax	927	5.6%	879
Profit after tax	734	8.3%	677
Consolidated profit	701	13.9%	615
<b>Statement of financial position</b>	<b>30/6</b>		<b>31/12</b>
Loans and advances to banks	25,701	(0.2)%	25,748
Loans and advances to customers	84,887	4.1%	81,576
Deposits from banks	40,344	6.2%	37,992
Deposits from customers	72,011	7.9%	66,747
Equity	10,850	(0.8)%	10,936
Total assets	152,717	3.9%	146,985
<b>Key ratios</b>	<b>1/1-30/6</b>		<b>1/1-30/6</b>
Return on equity before tax	17.3%	0.2 PP	17.1%
Return on equity after tax	13.7%	0.5 PP	13.2%
Consolidated return on equity	14.4%	1.0 PP	13.3%
Cost/income ratio	58.1%	3.0 PP	55.1%
Return on assets before tax	1.24%	(0.05) PP	1.29%
Net interest margin	2.30%	(0.32) PP	2.62%
NPL ratio	9.8%	1.3 PP	8.5%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.10%	0.01 PP	1.09%
Net provisioning ratio (average loans)	0.90%	(0.13) PP	1.04%
<b>Bank-specific information<sup>1</sup></b>	<b>30/6</b>		<b>31/12</b>
Risk-weighted assets (credit risk)	69,206	(10.3)%	77,150
Total own funds	12,454	(3.1)%	12,858
Total own funds requirement	6,754	(11.4)%	7,624
Excess cover ratio	84.4%	15.7 PP	68.6%
Core tier 1 ratio, total	10.1%	1.0 PP	9.0%
Tier 1 ratio, credit risk	12.9%	0.7 PP	12.2%
Tier 1 ratio, total	10.6%	0.7 PP	9.9%
Own funds ratio	14.8%	1.3 PP	13.5%
<b>Stock data</b>	<b>30/6</b>		<b>30/6</b>
Earnings per share in €	3.09	16.5%	2.65
Price in €	25.75	(27.5)%	35.54
High (closing prices) in €	29.05	(27.4)%	40.00
Low (closing prices) in €	18.64	(42.7)%	32.53
Number of shares in million	195.51	-	195.51
Market capitalization in € million	5,034	(27.5)%	6,947
<b>Resources</b>	<b>30/6</b>		<b>31/12</b>
Number of employees as of reporting date	60,918	2.8%	59,261
Business outlets	3,153	7.7%	2,928
Number of customers in million	14.2	3.2%	13.8

<sup>1</sup> Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG) for illustrative purposes. RBI as part of the RZB Group is as a group not subject to the Austrian Banking Act.

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In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG.

Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

# RBI in the capital markets

## **European debt crisis weighs on financial markets**

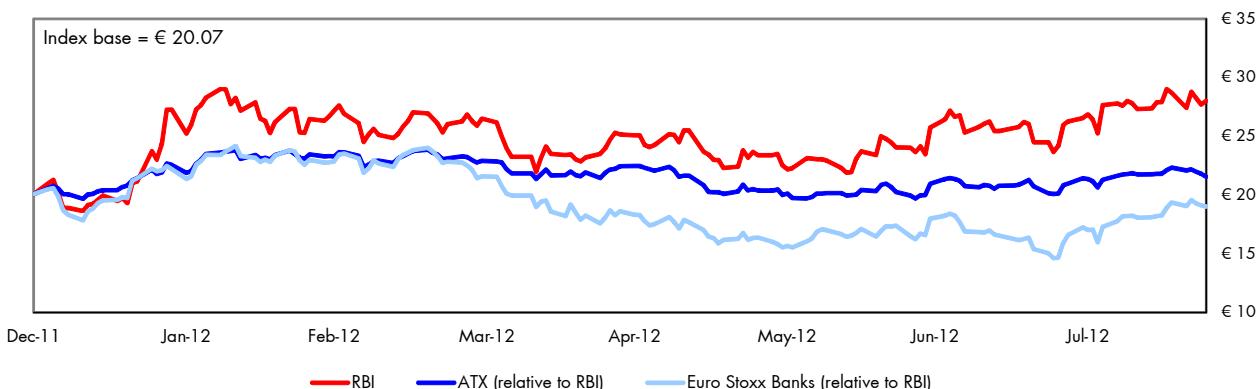
The European debt crisis continued to affect the performance of financial markets in the first half of 2012. Following considerable gains on equity markets in the first quarter, sentiment changed at the beginning of the second quarter, leading to a decline in share prices. Bond prices of what are considered to be safe countries increased – particularly those of Germany, Switzerland and the UK – while those of Eurozone crisis countries slumped. This flight by investors into the government bonds of stable countries pushed their yields to record lows. In contrast, in some countries such as Spain the cost of financing rose, while real estate prices in this country sank even further. At the end of June 2012, Spain and Cyprus also had to apply for international financial aid, following in the footsteps of Greece, Ireland and Portugal.

## **Development of RBI shares**

RBI shares rose in the first half of the year by 28.3 per cent – starting from their closing price of € 20.07 on 29 December 2011 – and traded at € 25.75 on 29 June 2012, thereby performing considerably better than the overall market. The ATX rose 4.4 per cent in the same period, while the EURO STOXX Banks index fell by 9.8 per cent. After 29 June, the RBI share price continued to increase. On 24 August, the editorial deadline for this report, shares were trading at € 28.00.

During the second quarter, the highest closing price was on 2 April at € 26.17, while its lowest was recorded on 12 June at € 21.90.

### **Share price performance since 1 January 2012 compared with the ATX and EURO STOXX Banks**



## ***Active capital market communication***

During the second quarter of 2012, RBI participated in roadshows in Brussels, Frankfurt, Helsinki, London, Milan, New York, Paris, Prague, Tallinn and Zürs (Austria), providing a wide range of interested investors and analysts with a personal update on RBI and its current development.

Another important event in the second quarter – in addition to direct meetings with analysts and investors – was the telephone conference to announce the results for the first quarter of 2012. Over 130 analysts and investors participated in this event.

RBI strives to continuously keep market participants fully informed. In the interest of the ongoing optimization of its communications, it also makes teleconference presentations and other important events available as online webcasts. These can be viewed at any time at [www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Reports & Presentations → Presentations & Webcasts.

## ***The AGM - providing information for private investors***

While investor conferences are usually directed toward institutional investors, the Annual General Meeting (AGM) – which was held on 20 June 2012 – also gives private investors the opportunity to be briefed by and ask questions of the Management Board about the company and its business.

The Annual General Meeting approved the payment of a dividend totaling € 1.05 per share for the 2011 financial year, the same amount as in the 2010 financial year. The dividend was paid to shareholders on 27 June 2012. This translated into a total dividend payment of € 205 million after taking into account own shares, on which no dividends are paid.

The Annual General Meeting also approved a 30 month extension of the existing authorization for the Management Board to acquire own shares. Based on this extension, the Bank can acquire own shares for securities trading purposes and to fulfill the company's current share incentive program. If necessary, the shares may also be retired.

In addition, the Annual General Meeting elected Heinrich Schaller, General Director of Raiffeisenlandesbank Oberösterreich AG, and Günther Reibersdorfer, General Director of Raiffeisenverband Salzburg, to the Supervisory Board of RBI. They are the successors of Ludwig Scharinger, former General Director of Raiffeisenlandesbank Oberösterreich AG, and Hannes Schmid, CEO of Raiffeisen-Landesbank Tirol AG.

## Stock data and details

RBI has been listed on the Vienna Stock Exchange since 25 April 2005. It is represented in several leading national and international indices, including the ATX and the EURO STOXX Banks. Raiffeisen Zentralbank Österreich AG (RZB) holds 78.5 per cent of RBI's shares, with the remaining shares in free float.

<i>Price as of 30 June 2012</i>	€ 25.75
<i>High/low (closing prices) in second quarter 2012</i>	€ 26.17 / € 21.90
<i>Earnings per share from 1 January to 30 June 2012</i>	€ 3.09
<i>Market capitalization as of 30 June 2012</i>	€ 5.034 billion
<i>Avg. daily volume (single counting) in second quarter 2012</i>	182,855 shares
<i>Stock exchange trading (single counting) in second quarter 2012</i>	€ 256 million
<i>Free float as of 30 June 2012</i>	approx. 21.5%
<i>ISIN</i>	AT0000606306
<i>Ticker symbols</i>	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBI.VI (Reuters)
<i>Market segment</i>	Prime Market
<i>Number of shares issued as of 30 June 2012</i>	195,505,124

## Rating details

<i>Rating agency</i>	<i>Long-term rating</i>	<i>Short-term rating</i>	<i>Outlook</i>
Moody's Investors Service	A2	P-1	stable
Standard & Poor's	A	A-1	negative
Fitch Ratings	A	F1	stable

After Moody's placed RBI under "review for downgrade" in February 2012, the long-term rating was lowered one notch from A1 to A2 in May as part of a global bank review. RBI's short-term rating, P-1, was confirmed; the outlook is "stable."

## Financial calendar 2012 and 2013

14 November 2012	<i>Start of Quiet Period</i>
28 November 2012	<i>Third Quarter Report, Conference Call</i>
13 March 2013	<i>Start of Quiet Period</i>
10 April 2013	<i>2012 Annual Report, Analyst Conference, Conference Call</i>
11 April 2013	<i>RBI Investor Presentation, London</i>
14 May 2013	<i>Start of Quiet Period</i>
28 May 2013	<i>First Quarter Report, Conference Call</i>
26 June 2013	<i>Annual General Meeting</i>
3 July 2013	<i>Ex-Dividend and Dividend Payment Date</i>
8 August 2013	<i>Start of Quiet Period</i>
22 August 2013	<i>Semi-Annual Report, Conference Call</i>
13 November 2013	<i>Start of Quiet Period</i>
27 November 2013	<i>Third Quarter Report, Conference Call</i>

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# Group management report

## Market development

### **CEE growth in 2012 still considerably above the Eurozone**

Economic growth in Central and Eastern Europe (CEE) is likely to weaken slightly compared to 2011 – not least because of the events in the Eurozone. While growth is forecast to decline in the Central Europe (CE) region to 1.3 per cent p.a., the Southeastern Europe (SEE) region will probably grow by only 0.2 per cent in 2012. Assessments for the Commonwealth of Independent States (CIS) are the most optimistic, forecasting growth of 3.5 per cent p.a. and thus showing only a slight decline compared to 2011. The economy in the CEE region overall will probably increase by 2.5 per cent in 2012, after 3.7 per cent in the previous year.

The current economic development in the CE region (Czech Republic, Hungary, Poland, Slovakia and Slovenia) is uneven. Poland and Slovakia, for instance, continue to expect robust economic growth for 2012, despite a slowdown compared to 2011. In contrast, the economic development of the remaining CE countries is perceived in a less optimistic light: Growth in the Czech Republic is suffering under the government's strict austerity policies, while in Hungary investors are disconcerted in particular by unusual political initiatives. Slovenia, like Spain, is suffering from the aftermath of a boom in the construction sector, which ended in 2008. Overall, the CE region remains strongly dependent on exports, particularly to the Eurozone, while domestic demand will continue to be rather weak. The only exception in this regard is Poland, where domestic demand continues to hold up well. On average, growth in CE is forecast to be 1.3 per cent in 2012 and 2.0 per cent in 2013.

The SEE region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia) cannot detach itself from the overall economic environment in Europe due to its very strong ties to the countries in the Eurozone. While there was year-on-year slight growth in both Romania and Bulgaria in the first quarter of 2012 – 0.3 per cent and 0.9 per cent respectively – Croatia and Serbia each suffered a decline of 1.3 per cent. In Romania the positive development continued, with GDP growth of 1.2 per cent p.a. in the second quarter, while Serbia saw a further decline in economic performance (minus 0.6 per cent p.a.) in this period. The economy is also comparatively weak in Bosnia and Herzegovina, and Albania. It is likely that Bosnia and Herzegovina, Croatia and Serbia will not generate any growth at all in 2012, because these countries of the SEE region will suffer the most from the recession in the Eurozone countries of Southern Europe. Overall, the GDP of the SEE region is expected to increase minimally by around 0.2 per cent in 2012, but an economic increase of 1.8 per cent could be possible again for 2013.

The Commonwealth of Independent States (Belarus, Russia and Ukraine) demonstrated robust economic growth of 4.4 per cent in 2011. This region is less dependent on developments in the Eurozone and also benefited from higher oil and commodity prices resulting from the improved global environment. Although economic growth for 2012 is expected to decline slightly to about 3.5 per cent, analysts expect its GDP to increase again by 3.8 per cent in 2013 due to the improved outlook for the Eurozone.

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

<b>Region/country</b>	<b>2011</b>	<b>2012e</b>	<b>2013f</b>	<b>2014f</b>
Czech Republic	1.7	(0.5)	1.0	2.1
Hungary	1.7	(1.0)	0.5	1.5
Poland	4.3	2.8	2.8	3.8
Slovakia	3.3	2.4	2.0	4.0
Slovenia	(0.2)	(1.0)	1.5	2.0
<b>CE</b>	<b>3.1</b>	<b>1.3</b>	<b>2.0</b>	<b>3.1</b>
Albania	3.1	2.0	3.0	4.0
Bosnia and Herzegovina	1.3	0.0	2.0	4.5
Bulgaria	1.7	1.0	2.5	4.0
Croatia	0.0	(1.0)	1.0	2.0
Kosovo	4.0	3.0	4.0	4.0
Romania	2.5	0.5	2.0	3.0
Serbia	1.6	(1.0)	1.0	2.0
<b>SEE</b>	<b>1.8</b>	<b>0.2</b>	<b>1.8</b>	<b>3.0</b>
Belarus	5.3	3.0	4.0	4.5
Russia	4.3	3.7	3.9	4.0
Ukraine	5.2	1.5	2.5	4.5
<b>CIS</b>	<b>4.4</b>	<b>3.5</b>	<b>3.8</b>	<b>4.1</b>
<b>CEE</b>	<b>3.7</b>	<b>2.5</b>	<b>3.0</b>	<b>3.6</b>
<b>Austria</b>	<b>2.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.8</b>
<b>Germany</b>	<b>3.1</b>	<b>0.7</b>	<b>1.1</b>	<b>1.3</b>
<b>Eurozone</b>	<b>1.5</b>	<b>(0.3)</b>	<b>0.8</b>	<b>1.3</b>

**Effects on the banking sector**

In the large CEE banking markets (Poland, Russia, Slovakia, Czech Republic), the situation regarding non-performing loans stabilized in 2011, a trend that has continued in the past several months. In Hungary and the SEE region, however, non-performing loans continue to rise. Growth in lending has been similarly varied: In contrast to the Eurozone, there are no signs of a "credit crunch" in most CE markets and Russia. While lending volumes and bank assets in 2009 overall either stagnated or declined slightly, there have been signs of a recovery ever since. This was particularly the case in those CEE markets with significant growth potential. This is especially true for Poland, Slovakia and the Czech Republic, as well as for Russia. In contrast, credit growth has been subdued in Hungary, Slovenia and the SEE region. All in all, credit growth in CEE – at 11 per cent in 2011 – roughly conformed to the 2010 level of 13.6 per cent. In the long term, similar growth rates also appear possible – in line with corresponding increases in deposits.

## Earnings, financial and assets position

### **Increase in consolidated profit due to one-off effects**

The operating result in the second quarter rose by 2.2 per cent to € 554 million compared to the prior quarter. Higher net provisioning for impairment losses and valuation losses on derivatives and liabilities led to a quarterly result of € 160 million after taxes and non-controlling interests. The reported result in the first quarter was € 541 million, although € 272 million of this amount was attributable to one-off effects. These included sales of securities from the portfolio at Group head office with gains totaling € 159 million and the premature redemption of hybrid bonds (hybrid tier 1 capital) with a pre-tax profit of € 113 million. Thanks to these one-off effects, consolidated profit increased in the first half of 2012 by 14 per cent to € 701 million compared to the first six months of 2011.

### **Acquisition of Polbank**

On 30 April 2012, the formal closing took place for the acquisition of a 70 per cent stake in Polbank EFG S.A., Warsaw (Polbank). Polbank was initially included in the consolidated financial statements effective 1 May 2012. The provisional cash consideration for the 70 per cent stake was € 460 million. Immediately after the closing, the seller, Eurobank EFG, exercised the agreed put option and sold its remaining stake to RBI for € 175 million. Moreover, a net asset value adjustment totaling € 30 million was agreed in favor of RBI. In addition, a consideration of € 201 million for a capital increase of Polbank executed by the seller (above the agreed minimum) was paid at no premium.

Polbank, a retail bank with a network of 327 business outlets and 3,065 employees, supports more than 700,000 customers. Its total assets when the initial consolidation took place amounted to € 6,191 million, of which € 4,820 million relate to customer loans after loan loss provisions. According to the opening statement of financial position, its equity amounted to € 645 million. Customer deposits totaled € 3,528 million. The new unit contributed minus € 10 million to profit after tax.

### **Net interest income weighs on operating income**

Operating income declined by 5 per cent or € 134 million to € 2,613 million compared to the same period last year. This decline is primarily attributable to lower net interest income (minus € 65 million), which was negatively impacted by slightly lower interest margins and lower business volume, and lower net trading income (minus € 44 million).

### **Net provisioning for impairment losses unchanged**

Net provisioning for impairment losses, at € 400 million in the first half of the year, was 1 per cent below the prior year. At € 496 million, net allocations to individual loan loss provisions were 15 per cent higher than in the previous year due to several individual cases at Group head office, in China and in Poland, while there was a net release of portfolio based loan loss provisions of € 91 million (prior year: € 23 million).

Non-performing loans (NPL) increased by € 1,234 million since the start of the year, of which € 478 million was attributable to Polbank at the time of its initial consolidation. Polbank's non-performing loans have a coverage ratio (loan loss provisions in relation to non-performing loans without taking collateral into account) of 89 per cent. Increases occurred primarily because of individual cases with large customers. In Hungary, non-performing loans with retail customers also rose. As a result, the NPL ratio increased to 9.8 per cent, a rise of 1.1 percentage points since the start of the year. RBI's overall coverage ratio declined by 2.6 percentage points to 65.8 per cent.

### ***ROE before tax nearly unchanged at 17 per cent***

The increase in profit before tax of 6 per cent was nearly equal to the increase in average equity (the value underlying the ROE calculation), which grew by 6 per cent year-on-year to € 10.7 billion due to retained earnings. The return on equity before tax was 17.3 per cent in the first half of the year, 0.2 percentage points higher than the comparable period in 2011.

### ***Increase in earnings per share of € 0.44***

Profit after tax for the first half of the year reached € 734 million, resulting in a consolidated profit after non-controlling interests of € 701 million. Based on the average number of shares totaling 194.8 million, this profit therefore resulted in earnings per share of € 3.09 (comparable period in 2011: € 2.65).

### ***Total assets up 4 per cent***

RBI's total assets have risen since the start of the year by 4 per cent or € 5.7 billion to € 152.7 billion. Currency effects increased total assets by around 1 per cent. Assets grew because of a pick-up in customer loans totaling € 3.3 billion, with the initial consolidation of Polbank driving the increase (€ 5.2 billion, of which € 4.9 billion is attributable to the retail business). Most other Group units, with the exception of Russia, posted declines because of a very selective approach toward granting new loans. On the equity and liabilities side of the statement of financial position, the consolidation of Polbank, with € 3.4 billion, had a significant effect on customer deposits, which grew in total by € 5.3 billion, although higher deposits from large customers in Russia and Poland also contributed to the increase. The loan/deposit ratio (i.e. loans and advances to customers divided by customer deposits) improved by 4 percentage points to 118 per cent compared with the end of 2011.

## Comparison of results year-on-year

In € million	<b>1/1-30/6 2012</b>	<b>1/1-30/6 2011</b>	<b>Change absolute</b>	<b>Change in %</b>
Net interest income	1,716	1,781	(65)	(3.6)%
Net fee and commission income	721	737	(16)	(2.2)%
Net trading income	212	256	(44)	(17.2)%
Other net operating income	(36)	(27)	(9)	34.9%
<b>Operating income</b>	<b>2,613</b>	<b>2,748</b>	<b>(134)</b>	<b>(4.9)%</b>
Staff expenses	(768)	(756)	(12)	1.5%
Other administrative expenses	(572)	(587)	14	(2.4)%
Depreciation	(178)	(172)	(6)	3.6%
<b>General administrative expenses</b>	<b>(1,518)</b>	<b>(1,514)</b>	<b>(3)</b>	<b>0.2%</b>
<b>Operating result</b>	<b>1,096</b>	<b>1,233</b>	<b>(138)</b>	<b>(11.2)%</b>
Net provisioning for impairment losses	(400)	(405)	5	(1.3)%
Other results	232	50	182	362.8%
<b>Profit before tax</b>	<b>927</b>	<b>879</b>	<b>49</b>	<b>5.6%</b>
Income taxes	(194)	(201)	7	(3.6)%
<b>Profit after tax</b>	<b>734</b>	<b>677</b>	<b>56</b>	<b>8.3%</b>
Profit attributable to non-controlling interests	(33)	(62)	30	(47.5)%
<b>Consolidated profit</b>	<b>701</b>	<b>615</b>	<b>86</b>	<b>13.9%</b>

### **Net interest income**

Although net interest income for the first six months of 2012 was down by 4 per cent or € 65 million to € 1,716 million compared with the same period last year, it still made with 66 per cent the largest contribution to operating income (up by 1 percentage point). Net interest income declined primarily at Group head office due to lower interest income caused by the placement of excess liquidity with central banks and sales of securities. In Hungary, it decreased because of a decline in volume with retail customers in connection with the "Home Protection Plan" (a law passed by the Hungarian parliament providing the opportunity to repay foreign currency mortgage loans prematurely at favorable exchange rates). This decline was offset by an increase in Russia, primarily the result of higher net income from derivatives and more favorable refinancing.

The main reason for the lower net interest income was the net interest margin (the ratio of net interest income to average total assets), which fell year-on-year by 32 basis points to 2.30 per cent. The largest decrease was in Central Europe, where the interest margin dropped by 57 basis points, and every country in the segment was impacted by a decline. This mainly resulted from higher refinancing costs and stricter liquidity requirements. In contrast, the interest margin rose in the CIS Other segment by 49 basis points to 6.42 per cent because of solid new business with corporate customers. In Russia it also grew significantly by 25 basis points to 4.68 per cent, mainly due to higher interest income on derivatives.

### **Net fee and commission income**

Net fee and commission income decreased by 2 per cent or € 16 million to € 721 million compared to the same period last year. The net income from the loan and guarantee business showed a particularly sharp drop, decreasing by 16 per cent or € 23 million to € 124 million. This was mainly attributable to lower credit fees in Romania and a decline in volume in Hungary. In addition, net income from securities business fell by 10 per cent to € 55 million due to fewer transactions. At 44 per cent or € 314 million, the largest component of net fee and commission income continued to be the net income from payment transfer business, which was up € 20 million year-on-year chiefly because of increased volumes in Russia.

### **Net trading income**

Net trading income declined year-on-year by 17 per cent or € 44 million to € 212 million, which was caused by two main factors. First, valuation income from capital guarantees was € 25 million below the prior year due to the decrease in long-term interest rates, and second, net income from currency-based transactions fell by € 22 million. This was primarily due to developments in Belarus, where the net income in the comparable period had been extraordinarily high due to a strategic currency position and the trend of the Belarusian rouble. Furthermore, net income in Belarus fell due to the application of IAS 29 (Financial Reporting in Hyperinflationary Economies). Net income from interest-based transactions performed well, increasing by € 16 million to € 114 million, principally as a result of valuation gains on bonds and interest rate swaps.

### **Other net operating income**

Other net operating income fell from minus € 27 million in the first half of 2011 to minus € 36 million in the reporting period. This income was primarily influenced by the higher bank levy in Austria and the introduction of a bank levy in Slovakia. The release of other provisions, particularly in Bulgaria, Croatia, Hungary and Romania, had a positive impact on net income.

### **General administrative expenses**

At € 1,518 million, general administrative expenses remained almost exactly the same as in the comparable period last year, despite the integration of Polbank. This is an increase of only € 3 million. If Polbank is not taken into account, the decline would have been € 19 million. However, due to lower income, the cost/income ratio rose by 3.0 percentage points to 58.1 per cent. The cost/income ratio would have been 56.3 per cent without the adverse effect of the bank levies.

The largest item under general administrative expenses was staff expenses, accounting for 51 per cent and rising in total by 2 per cent or € 12 million to € 768 million. While staff expenses increased in Russia and Ukraine due to salary increases, they declined in Hungary, the Czech Republic and Romania.

The average number of staff increased year-on-year by 1,703 to 61,683. The reason for this increase in employees was the consolidation of Polbank in Poland (plus 3,065) and additions in Albania (plus 90) and Slovakia (plus 77). These increases were offset by headcount reductions in Ukraine (minus 436), Hungary (minus 298), Romania (minus 236), Russia (minus 367) and Croatia (minus 91).

Other administrative expenses fell by 2 per cent or € 14 million to € 572 million compared with the first half of 2011. The largest declines were in advertising, PR and promotional expenses (minus 33 per cent), legal, advisory and consulting expenses (minus 6 per cent) and communications expenses (minus 5 per cent). In contrast, the largest increases were deposit insurance fees (plus 12 per cent)

and IT expenses (plus 7 per cent). In addition, the consolidation of Polbank resulted in an increase in other administrative expenses in Poland.

Depreciation of intangible and tangible fixed assets rose by 4 per cent or € 6 million to € 178 million. This was largely attributable to the implementation of new software, particularly core banking systems, in Ukraine.

#### ***Net provisioning for impairment losses***

Net provisioning for impairment losses declined slightly year-on-year by 1 per cent or € 5 million to € 400 million, with performance varying by country. In Ukraine, provisions dropped considerably due to better portfolio quality and higher income from the repossession of collateral, particularly regarding retail customers. There were even releases in Russia due to higher collateral and early repayments. Loan loss provisions rose in the other countries, which was mainly attributable to individual cases in the corporate customer business at Group head office and in China, but also in Poland, as well as Bosnia and Herzegovina.

Net allocations to individual loan loss provisions rose by 15 per cent or € 65 million, while releases of portfolio-based provisions increased by € 68 million to € 91 million compared to the same period last year. Larger individual cases in Central Europe and the Group Corporate segment impacted the individual loan loss provisions. The portfolio-based provisions declined primarily at Group head office and in Russia because of adjustments to default rates, declines in volume and positive changes in ratings. Overall, the net provisioning ratio (calculated based on average customer loan volume) declined by 14 basis points to 0.90 per cent.

#### ***Other results***

Other results, which consist of the items net income from derivatives and liabilities, net income from financial investments and net income from disposal of group assets, increased in the first six months of 2012 by € 182 million to € 232 million compared to the same period last year.

Net income from financial investments showed the strongest growth, rising by € 241 million to € 253 million. This was largely due to the sale of government bonds from the available-for-sale securities portfolio at Group head office, which resulted in a pre-tax gain of € 146 million. In addition, sales of securities from the fair-value portfolio generated income of € 36 million. Valuation gains from securities also rose by € 54 million, primarily in Austria.

Net income from derivatives and liabilities moved in the opposite direction, declining € 61 million to minus € 20 million. Net income from liabilities designated at fair value (fair value option) dropped by € 219 million to minus € 167 million, although this result was offset by positive valuation gains on derivatives in the same amount. The valuation result of RBI's own issues decreased largely because of falling long-term interest rates, while the impact of RBI's credit spread amounted to only minus € 58 million (prior year period: plus € 26 million). On the other hand, the repurchase of hybrid bonds resulted in a positive impact on the item totaling € 113 million.

Net income from disposal of Group assets was minus € 2 million (comparable period last year: minus € 3 million).

**Income taxes**

Tax expenses amounted to € 194 million in the reporting period, compared with € 201 million in the comparable period of 2011. While current taxes declined by 8 per cent or € 14 million, deferred taxes rose by 20 per cent or € 6 million, mainly due to the change in the net valuations of liabilities. The tax rate was 21 per cent (prior year period: 23 per cent).

**Comparison of results with the previous quarter**

In € million	Q2/2012	Q1/2012	Change absolute	Change in %
Net interest income	841	875	(34)	(3.9)%
Net fee and commission income	375	346	29	8.3%
Net trading income	130	82	48	58.7%
Other net operating income	(28)	(8)	(20)	249.8%
<b>Operating income</b>	<b>1,318</b>	<b>1,295</b>	<b>23</b>	<b>1.8%</b>
Staff expenses	(386)	(381)	(5)	1.2%
Other administrative expenses	(289)	(284)	(5)	1.8%
Depreciation	(89)	(88)	(1)	1.5%
<b>General administrative expenses</b>	<b>(764)</b>	<b>(753)</b>	<b>(11)</b>	<b>1.5%</b>
<b>Operating result</b>	<b>554</b>	<b>542</b>	<b>12</b>	<b>2.2%</b>
Net provisioning for impairment losses	(247)	(153)	(94)	61.4%
Other results	(64)	296	(360)	-
<b>Profit before tax</b>	<b>243</b>	<b>685</b>	<b>(442)</b>	<b>(64.6)%</b>
Income taxes	(83)	(111)	28	(25.3)%
<b>Profit after tax</b>	<b>160</b>	<b>574</b>	<b>(414)</b>	<b>(72.2)%</b>
Profit attributable to non-controlling interests	0	(33)	33	-
<b>Consolidated profit</b>	<b>160</b>	<b>541</b>	<b>(381)</b>	<b>(70.5)%</b>

### **Net interest income**

Net interest income declined by 4 per cent quarter-on-quarter, or € 34 million. The interest margin fell by 14 basis points to 2.23 per cent compared to the first quarter of 2012. This decline was caused both by new business from customers with good credit ratings – which resulted in correspondingly lower margins – as well as by excess liquidity.

### **Net fee and commission income**

Net fee and commission income increased compared to the first quarter of 2012 by € 29 million to € 375 million. The increase was attributable in part to the payment transfer business benefiting from a € 14 million rise in volumes, as well as to a € 10 million pick-up in income from the foreign currency, notes/coins and precious-metals business.

### **Net trading income**

Net trading income rose by 59 per cent or € 48 million to € 130 million. The improvement was attributable primarily to income from currency-based transactions, which increased by € 44 million to € 78 million. The increase is mainly the result of positive valuation income from forward transactions and foreign currency swaps at Group head office.

### **Other net operating income**

Other net operating income in the second quarter of 2012 was minus € 28 million and thus € 20 million lower than the prior quarter. The expense for bank levies totaled € 46 million, following € 35 million in the first quarter of 2012. This increase was due to the higher expense in Austria. In addition, income from the non-banking area was lower. The reduced need to raise provisions had a positive effect.

### **General administrative expenses**

At € 764 million, general administrative expenses were almost equal to the prior quarter at € 753 million. Not taking into account Polbank would have resulted in a decline of 2 per cent or € 11 million.

Staff expenses increased by 1 per cent or € 5 million to € 386 million, which was also attributable primarily to the inclusion of Polbank, the new Group entity in Poland.

Depreciation of intangible and tangible fixed assets rose slightly by 2 per cent quarter-on-quarter, or € 1 million to € 89 million.

### **Net provisioning for impairment losses**

There was a considerably higher need for net provisioning for impairment losses in the second quarter of 2012, resulting in an increase of 61 per cent compared to the first quarter of 2012. Provisioning rose from € 153 million to € 247 million due to several larger individual loan loss provisions in the corporate customers area. The largest increases occurred in Central Europe (plus € 48 million), also due to the inclusion of Polbank as of May. The increase in the Group Corporates segment (plus € 20 million) also was the result of several larger individual loan loss provisions in the corporate customers area at Group head office and in China. The increase of € 28 million in the Group Markets segment was attributable to a legal dispute in connection with a loan to a bank in Iceland that was originally offset. In contrast, the situation regarding loan loss provisions in Russia improved, with net releases of € 14 million.

Non-performing loans to non-banks rose by € 951 million to € 8,289 million in the second quarter of 2012, with € 90 million of this increase attributable to currency effects. The inclusion of Polbank at the beginning of May resulted in growth in non-performing loans amounting to € 478 million. The organic increase was therefore € 383 million, with larger individual cases in the Group Corporates segment and in Central Europe having an effect. As a result, the NPL ratio also rose by 87 basis points to 9.8 per cent. The coverage ratio declined by 1 percentage point to 65.8 per cent.

#### ***Other results***

Other results fell quarter-on-quarter by € 360 million to minus € 64 million.

Net income from financial investments was down € 270 million. The main reasons for this decline were the sale of securities at Group head office in the first quarter and, in particular, the € 127 million decline in valuation gains from securities at Group head office.

Net income from derivatives and liabilities fell by € 89 million to minus € 55 million. The first quarter was dominated by the redemption of hybrid bonds, which resulted in a positive contribution to income of € 113 million. The net loss from own liabilities measured at fair value decreased by € 36 million to minus € 47 million. Net income from other derivatives improved by € 27 million. Other results were adversely affected in the second quarter of 2012 by a goodwill impairment in Romania amounting to € 1 million.

#### ***Income taxes***

Tax expenses amounted to € 83 million in the second quarter of 2012, compared with € 111 million in the first quarter of 2012. The expense for current taxes fell by € 12 million and the expense for deferred taxes declined by € 16 million. The tax rate in the second quarter was 34 per cent, whereas it was only 16 per cent in the prior quarter due to some tax-exempt income.

#### ***Consolidated profit***

Compared with the previous quarter, consolidated profit declined by 71 per cent or € 381 million to € 160 million, due to the factors already described, and in particular because of positive results from the one-off effects in the first quarter totaling € 272 million. The profit attributable to non-controlling interests changed from € 33 million to € 0 million. This development is attributable to higher losses in Hungary and lower non-controlling interests in the Czech Republic and Slovakia caused by the buyout of minorities.

## Statement of financial position

As of 30 June 2012, the total assets of RBI amounted to € 152.7 billion, up 4 per cent or € 5.7 billion on the end of 2011. About € 1.3 billion of this increase was due to currency effects; a further € 6.0 billion of the growth is attributable to the initial consolidation of Polbank at the beginning of May 2012. Consequently, there was a slight organic decline in total assets of about 1 per cent.

### Assets

Assets in € million	30/6/2012	Share	31/12/2011	Share
Loans and advances to banks (less impairment losses)	25,527	16.7%	25,493	17.3%
Loans and advances to customers (less impairment losses)	79,435	52.0%	76,778	52.2%
Financial investments	17,450	11.4%	19,864	13.5%
Other assets	30,305	19.8%	24,850	16.9%
<b>Total assets</b>	<b>152,717</b>	<b>100.0%</b>	<b>146,985</b>	<b>100.0%</b>

On the assets side, the structure of the statement of financial position changed only slightly. The securities portfolio was reduced by net € 1.6 billion due to sales, while short-term loans including the cash reserve rose by around € 4.0 billion. Loans and advances to customers accounted for the largest share of assets. This item represented 52 per cent of total assets after loan loss provisions and rose by 3 per cent to € 79.4 billion, especially due to the € 5.2 billion addition from Polbank. Sales of securities reduced the item financial investments by 12 per cent to € 17.5 billion. Liquid assets remain high: the cash reserve, which consists mainly of call deposits at central banks, rose further by 35 per cent to € 15.4 billion.

### Equity and liabilities

Total equity and liabilities in € million	30/6/2012	Share	31/12/2011	Share
Deposits from banks	40,344	26.4%	37,992	25.8%
Deposits from customers	72,011	47.2%	66,747	45.4%
Own funds	14,638	9.6%	15,087	10.3%
Other liabilities	25,724	16.8%	27,159	18.5%
<b>Total equity and liabilities</b>	<b>152,717</b>	<b>100.0%</b>	<b>146,985</b>	<b>100.0%</b>

Equity and liabilities were characterized by higher deposits from customers (an increase of 8 per cent or € 5.3 billion) and from banks (an increase of 6 per cent or € 2.3 billion). In contrast, debt securities issued fell by 13 per cent or € 1.9 billion, particularly due to the € 1.25 billion redemption in February 2012 of the second of three government guaranteed bonds issued in 2009.

RBI's customer deposits rose by € 5.3 billion to € 72.0 billion, of which € 3.4 billion is attributable to deposits that were included as part of the initial consolidation of Polbank. Customer deposits from retail customers increased by € 4.5 billion to € 33.7 billion; besides Polbank, growth also came from other units in Central Europe and Russia. Deposits from corporate customers edged up slightly by € 0.4 billion to € 36.0 billion, with the biggest increase occurring in Russia. Despite the initial consolidation of Polbank, the loan/deposit ratio has improved 4 percentage points to 118 per cent since the start of the year. Subordinated capital fell by € 0.4 billion to € 3.8 billion, mainly due to the buyback of hybrid tier 1 capital totaling € 359 million.

### Funding structure

In € million	30/6/2012	Share	31/12/2011	Share
Customer deposits	72,011	56.0%	66,747	54.2%
Medium- and long-term refinancing	22,469	17.5%	23,903	19.4%
Short-term refinancing	30,331	23.6%	28,456	23.1%
Subordinated liabilities	3,788	2.9%	4,151	3.4%
<b>Total</b>	<b>128,599</b>	<b>100.0%</b>	<b>123,257</b>	<b>100.0%</b>

The diversification of RBI's financing sources continued in the second quarter of 2012. In June 2012, the first tranche of a securitization of diversified payment rights (DPR) initiated by Raiffeisenbank Moscow was placed for a total of USD 125 million. This transaction supports the Russian subsidiary with its long-term funding structure in US dollars and creates the possibility for further tranches. Supranational institutions provided a positive contribution toward strengthening the long-term refinancing of Group units.

Despite the prevailing difficult market environment in the first half of 2012, RBI AG covered most of its annual need for capital-market funding, thereby demonstrating its good access to the international capital markets: At the start of July, for example, the bank successfully placed a five-year, € 750 million senior benchmark issue.

### Equity

RBI's equity on the statement of financial position, consisting of consolidated equity, consolidated profit and the capital of the non-controlling interests, fell by 1 per cent or € 86 million to € 10,850 million compared to the end of 2011. Total comprehensive income was € 749 million, which – in addition to profit after tax for the period amounting to € 734 million – consists primarily of exchange rate differences totaling € 103 million and the income on the AFS (available-for-sale) portfolio of minus € 138 million, caused essentially by the reclassification of realized gains to the income statement. Dividends in the amount of € 455 million were paid during the reporting period, including a dividend on RBI's nominal capital of € 1.05 per share (in total € 205 million) that was approved at the Annual General Meeting in June 2012, as well as a dividend on participation capital of € 200 million. In addition, equity on the statement of financial position declined by € 133 million due to the purchase of a non-

controlling interest of 13 per cent in Tatra banka, a.s., Bratislava and by € 245 million due to the purchase of a non-controlling interest of 24 per cent in Raiffeisenbank a.s., Prague.

### **Own funds pursuant to the Austrian Banking Act (BWG)**

RBI does not form an independent credit institution group (Kreditinstitutsgruppe) as defined by the Austrian Banking Act (BWG) and therefore is not subject to the regulatory provisions on a consolidated basis, as it is part of RZB credit institution Group. The following consolidated values have been determined according to the provisions of the BWG and are assumed in the calculation of the RZB credit institution group.

The calculation of consolidated own funds and consolidated own funds requirement was converted from Austrian (UGB/BWG) to international accounting standards (IFRS) during the second quarter. The result of this conversion is an improvement in excess own funds of € 497 million.

Consolidated own funds pursuant to BWG amounted to € 12,454 million as of 30 June 2012, which represents a decrease of 3 per cent or € 404 million. Despite the positive effect resulting from the conversion of the calculation methodology to international accounting standards, core capital declined by € 378 million due to RBI's acquisition of a 13 per cent stake in Tatra banka a.s. and its acquisition of a 24 per cent stake in Raiffeisenbank a.s. The buyback of hybrid tier 1 capital from external investors reduced core capital by € 359 million. The integration of Polbank at the start of May also resulted in a negative impact totaling minus € 226 million. Currency trends were positive overall: While the appreciation of the Ukrainian hryvnia, Hungarian forint and Polish złoty had a positive impact on total own funds, the Serbian dinar had a negative effect. With an increase of € 34 million, additional own funds at € 3,402 million were slightly above the year-end figure. Short-term subordinated capital increased by € 21 million to € 121 million.

Own funds compared with an own-funds requirement of € 6,754 million; the own funds requirement was lower by € 870 million. This decline resulted primarily from the own funds requirement for credit risk, which fell by € 636 million to € 5,536 million. In addition to decreasing volumes in some markets, measures introduced in connection with the EBA requirements to optimize capital requirements by "capital clean-up" projects were primarily responsible for the lower figure. Moreover, the conversion of the calculation methodology for the Russian subsidiaries to the IRB approach also had a positive impact (reduction of € 99 million). Furthermore, the requirement for the position risk in bonds, equities and commodities fell by € 226 million to € 294 million, partly because of the project to reduce the non-core business with a focus on market risk positions against the background of the EBA requirements, and partly because the internal model was updated. Therefore, the requirement for open currency positions halved by € 71 million to € 70 million. However, the own funds requirement for operational risk increased and amounted to € 855 million, compared to € 792 million at year-end. Besides the Polbank integration, higher requirements in RBI AG contributed to this increase. The integration of Polbank increased the own funds requirement by € 305 million.

Overall, this resulted in an improvement in the excess cover ratio by 15.7 percentage points to 84.4 per cent or € 5,700 million. Based on total risk, the core tier 1 ratio was 10.1 per cent, with a tier 1 ratio of 10.6 per cent. The own funds ratio increased to 14.8 per cent.

To strengthen the financial system, the European Banking Authority (EBA) decided in the autumn of 2011 to implement stricter capital requirements for about 70 system-relevant banks in the EU. As part of this initiative, a core capital ratio (core tier 1 as per the EBA definition) of 9 per cent was defined as the target value which had to be reached by 30 June 2012. For the RZB Group – RBI itself was not covered in the EBA analysis – this resulted in an additional capital requirement of about € 2.1 billion pursuant to EBA calculations. This amount was considerably exceeded following the implementation of numerous internal measures by the bank itself and without seeking government support. The ratio for the RZB Group was 10.0 per cent if the net profit generated during the first half of the year is not included in the calculation and it was even 10.6 per cent if the net profit for the period is included.

## **Risk management**

Active risk management is a core competence for RBI. In order to be able to effectively recognize, classify and contain risks, the Group utilizes comprehensive risk management and controlling. This forms an integral part of the overall bank management and is constantly being developed. The risk control of RBI is primarily aimed at ensuring the conscientious handling and professional management of credit and country risks, market and liquidity risks, participation risks and operational risks.

### ***Loan portfolio strategies adjusted to reflect market conditions***

At RBI, there are several credit portfolio committees responsible for active control of the loan portfolio, which determine the credit portfolio strategy for the various customer segments. The basis for the definition of lending guidelines and limits for the loan portfolio is built on analyses of internal research departments and portfolio management. In the course of the quarterly committee meetings, the loan portfolio strategies for the period under review were adjusted to reflect the changes in the market outlook.

In light of the ongoing uncertainty regarding the European peripheral states (Greece, Ireland, Italy, Portugal, Slovenia and Spain), loans and advances to governments, municipalities and banks from these countries were one of the main focal points of portfolio management in the past quarters. Existing debts were constantly evaluated and limits were reduced. Overall, the credit exposure for governments, municipalities and banks in the European peripheral states amounts to € 1,930 million (2011 year end: € 2,547 million) and is thus not a significant risk concentration for RBI. Besides regulatory requirements in RBI's core markets, government securities mainly serve to strengthen the conservative liquidity buffer of the RBI Group.

The management of non-performing loans was once again one of the main focal points of risk management in the period under review. Targets and measures related to the improved early recognition of potential problem cases, to reporting on progress made on restructuring management at a Group level, and to a swift and efficient reduction in the portfolio of non-performing loans.

## ***Continued strong liquidity reserves***

Thanks to its good liquidity position, RBI was hardly affected by the tensions on the international financial markets in 2011. This high level of stability continued in the first half of 2012. In order to control liquidity risk, RBI has used a long established and proven limit model based on contractual and historically observed cash inflows and outflows that requires a high excess liquidity for short-term maturities. For medium- and long-term maturities limits are also in place, which, in turn, reduce the effect of a possible increase in refinancing cost on the results of RBI.

The liquidity position of RBI is subject to regular monitoring and is included in the weekly report of the RZB Group to the Austrian banking supervisory authority.

## ***Capital adequacy***

The European Banking Authority (EBA) audited the adequacy of capitalization of European financial institutions in the business year 2011. RBI itself was not covered by the EBA analysis, as RZB acts as the superordinate credit institution. However, RBI, as part of RZB, has worked on several initiatives to achieve the stipulated ratio. The implementation of these measures formed a special focus for the risk management of the RBI Group in the first half of 2012. The main point of attention was on achieving the mandatory capital ratio while at the same time protecting the core business of RBI.

## ***Regulatory environment – Basel II and III***

In this business year, RBI is continuing to deal intensively with the imminent regulatory developments. A major part of the expected changes arise from the EU directive CRD III (Capital Requirements Directive) and the even farther-reaching CRD IV/CRR directive (Cash Reserve Ratio) proposed by the EU Commission. The potential impact of the new and amended legal regulations on RBI has already been thoroughly analyzed in 2011 and relevant internal guidelines have also already been implemented. Besides the existing preparations related to the new Basel III regulations, the extensive implementation of the advanced Basel II approach was again a focus of risk management in the first half of 2012. RBI uses these specially developed parameters and findings also for internal management information purposes and control measures. In addition, the bank continues to invest in the improvement of risk management systems.

## Outlook

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

In 2012, we expect a stable business volume due to the economic environment and restrictive regulatory requirements. 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.

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.

In light of the economic prospects, the situation remains tense in several of our markets. We therefore expect a slight increase in the volume of non-performing loans in the second half of 2012, driven primarily by higher defaults in Hungary, but also in the Southeastern European countries. Overall, we expect the net provisioning ratio to remain stable or increase slightly.

In 2012, we expect higher bank levies than in the previous year. In Austria and CEE this will presumably result in a negative earnings effect of some € 190 million (of which approximately € 100 million in Austria, € 40 million in Hungary, € 30 million in Slovakia and € 20 million in Poland).

We plan to raise around € 5.8 billion in long-term wholesale funding (maturity of more than one year) for the RBI Group in 2012. In the wholesale funding sensitive to capital markets we allow for € 3.2 billion, which was already placed by the end of July. This higher funding need is a result of the full acquisition of Polbank, as Eurobank EFG exercised its put option following the closing.

In 2012, we will once again pay increased attention to cost development. Therefore, we have implemented Group-wide cost efficiency programs. Without taking Polbank into account, we expect a flat cost development at Group level, whilst including Polbank we expect a slight cost increase.

# Segment report

## Division of the segments

Internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash-generating unit within the Group is either a country or a business activity. Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. The division into segments is also in accordance with IFRS 8. The reconciliation basically includes the amounts resulting from the elimination of intercompany results and from cross-segment consolidation.

The Group comprises the following segments:

- Central Europe
- Southeastern Europe
- Russia
- CIS Other
- Group Corporates
- Group Markets
- Corporate Center

## Segment overview

Profit before tax rose by 6 per cent to € 927 million compared to the same period last year. A difference in growth trends between the segments, which had already become apparent in the first quarter of 2012, continued in the second quarter. The segment Russia increased its profit before tax significantly by 61 per cent to € 332 million, coming from a high starting point. In Southeastern Europe profit before tax remained almost unchanged at € 189 million. In contrast, Central Europe and CIS Other posted a decline in results to € 111 million and to € 55 million, respectively. All functional segments reported an improvement in their results versus the prior year figure.

In Central Europe, profit before tax declined by 32 per cent to € 111 million, primarily as a result of lower operating income in several countries and the initial consolidation of Polbank. Total assets increased by 17 per cent year-on-year to € 41.5 billion.

In the first half of 2012 Southeastern Europe posted virtually unchanged profit before tax at € 189 million. This result was primarily influenced by an increase in net income from financial investments and a decline in operating income. Total assets in the segment declined by 1 per cent year-on-year to € 22.3 billion.

With profit before tax of € 332 million Russia made the largest regional contribution to earnings. This rise of 61 per cent resulted from an increase in operating income. Total assets in this segment rose by 29 per cent year-on-year to € 17.0 billion.

In the CIS Other segment, profit before tax declined by nearly half to € 55 million, mainly due to a decrease in net trading income based on one-off effects in the prior year. Total assets in the segment remained unchanged year-on-year at € 6.5 billion.

The Group Corporates segment registered a 6 per cent increase in profit before tax to € 214 million in the first half of 2012 due to an improvement in operating income. Total assets grew by 1 per cent year-on-year to € 20.8 billion.

Profit before tax in the Group Markets segment rose by 2 per cent to € 194 million compared to the same period last year. The main reason for this improvement was an increase in other results due to the sale of securities, while operating income was down considerably. Total assets declined by 11 per cent year-on-year to € 21.8 billion.

Profit before tax in the Corporate Center segment rose from € 201 million to € 331 million, thanks to an improvement in net interest income and other results. Total assets increased by 34 per cent year-on-year to € 61.5 billion.

## Central Europe

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	742	821	(9.6)%	376	366	2.8%
<i>General administrative expenses</i>	(460)	(470)	(2.3)%	(238)	(222)	7.0%
<b><i>Operating result</i></b>	<b>283</b>	<b>351</b>	<b>(19.5)%</b>	<b>139</b>	<b>144</b>	<b>(3.7)%</b>
<i>Net provisioning for impairment losses</i>	(199)	(177)	12.3%	(124)	(75)	64.1%
<i>Other results</i>	28	(11)	-	9	19	(53.2)%
<b>Profit before tax</b>	<b>111</b>	<b>163</b>	<b>(31.8)%</b>	<b>24</b>	<b>87</b>	<b>(72.8)%</b>
Assets	41,450	35,542	16.6%	41,450	36,024	15.1%
Net interest margin	2.72%	3.29%	(0.57) PP	2.67%	2.82%	(0.14) PP
<b>Return on equity before tax</b>	<b>7.5%</b>	<b>11.3%</b>	<b>(3.8) PP</b>	<b>3.3%</b>	<b>12.1%</b>	<b>(8.8) PP</b>

In Central Europe, profit before tax during the first half of 2012 amounted to € 111 million, down 32 per cent on the prior year. The initial consolidation of Polbank had an adverse impact of € 12 million on the region's profit before tax. In contrast, a decline in operating income of 10 per cent was partially offset by the integration of Polbank and by an increase in other results. The return on equity before tax decreased by 3.8 percentage points to 7.5 per cent.

### Operating income

Net interest income in the segment declined year-on-year by 11 per cent to € 508 million, primarily as a result of early repayment of foreign currency loans in Hungary. Despite the integration of Polbank, net interest income in Poland increased only slightly by 6 per cent due to more restrictive internal liquidity requirements in Raiffeisenbank Poland. For the same reason, Slovakia also posted higher interest expense. The segment's profitability declined as the net interest margin fell 57 basis points to 2.72 per cent. In contrast, total assets rose year-on-year by 17 per cent or € 5.9 billion to € 41.5 billion, primarily because of the integration of Polbank. Compared to the prior year, credit risk-weighted assets declined by 6 per cent from € 23.7 billion to € 22.3 billion. These assets were down in the Corporate Customer division in Hungary and Slovakia due to an increase in collateral approved by regulatory bodies and improved internal ratings, while in the Czech Republic they declined in the Retail division because of lower business volume. At the same time, credit risk-weighted assets rose because of the integration of Polbank.

Net fee and commission income for the segment fell year-on-year by a total of 4 per cent or € 9 million to € 234 million. Polbank contributed € 5 million to net fee and commission income, predominantly from its payment transfer business. Net income from payment transfer business rose 1 per cent to € 98 million, while net income from loan and guarantee business declined 19 per cent to € 30 million due to lower business and transaction volumes, primarily in Hungary. Income from foreign currency, notes/coins, and precious-metals business remained unchanged year-on-year at € 71 million.

Net trading income in Central Europe was down 28 per cent year-on-year to € 19 million. Income from currency-based transactions declined the most in Hungary, by € 11 million to € 16 million. In

contrast, net income from interest-based transactions turned a loss of minus € 2 million into a profit of plus € 2 million year-on-year, with valuation income from a variety of foreign currency financing instruments in Hungary responsible for the improvement.

Other net operating income in the region declined in the first half of 2012 from minus € 17 million to minus € 19 million, which was mostly caused by expenses totaling € 8 million for the newly introduced bank levy in Slovakia in 2012.

#### **General administrative expenses**

General administrative expenses in the segment declined by 2 per cent year-on-year to € 460 million, despite the integration of Polbank (general administrative expenses totaling € 22 million). The decrease in staff expenses was primarily achieved by reducing locations and the number of employees in Hungary and through the reduction of sales commissions in the Czech Republic. The 6 per cent decline in other administrative expenses to € 189 million was mostly due to lower promotional expenses in the Czech Republic. General administrative expenses in connection with the business activities of ZUNO Direct Bank in the Czech Republic and Slovakia remained unchanged year-on-year at € 13 million. Depreciation increased by € 3 million to € 49 million primarily because of the Polbank integration. The number of business outlets in the segment rose by 321 locations to 877 year-on-year; of which 327 locations are included from the acquisition of Polbank. As a result of lower operating income, the region's cost/income ratio rose by 4.7 percentage points to 61.9 per cent.

#### **Net provisioning for impairment losses**

Net provisioning for impairment losses increased by a total of 12 per cent to € 199 million, primarily due to the € 15 million provision from the integration of Polbank. Net allocations to individual loan loss provisions declined year-on-year by 8 per cent to € 186 million. Although they were down in Hungary, provisions were necessary in connection with large corporate customers in Poland and Slovakia, as well as for private individuals in Slovakia. Portfolio-based loan loss provisions in the region amounted to € 15 million in the reporting period and therefore increased by € 38 million in total versus the prior year. The largest change in net allocations to portfolio-based loan loss provisions occurred in Hungary. It was necessary to release portfolio-based loan loss provisions on a net basis in this country because of the early repayment of foreign-currency mortgage loans to private individuals and the high number of loan loss provisions in the prior year. In contrast, individual loan loss provisions declined to the same extent, which is explained by the special situation of the prior year. The share of non-performing loans in the Central European segment's loan portfolio amounted to 11.0 per cent at the end of the period under review (an increase of 2.3 percentage points year-on-year).

#### **Other results and taxes**

Other results in the Central Europe segment turned from minus € 11 million to plus € 28 million. Net income from financial investments was up year-on-year from minus € 9 million to a plus of € 23 million due to valuation gains. In Hungary, net valuation gains on municipal bonds made a positive contribution of € 17 million, whereas in Slovakia, net valuation gains of € 4 million on government bonds was the primary contributor to income. Net income from derivatives also rose year-on-year by € 7 million to € 6 million, mainly due to net valuation gains on a variety of hedging transactions made in the Czech Republic to adjust its currency and interest rate structure.

Income taxes for the segment rose by 34 per cent to € 48 million. The tax rate rose by 21 percentage points to 43 per cent due to non-recognizable tax loss carryforwards in Hungary as well as higher non-deductible expenses in Slovakia. Profit after non-controlling interests amounted to € 48 million.

Below please find the detailed results of the individual countries:

### Czech Republic

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	133	144	(7.6)%	67	66	1.9%
<b>Net fee and commission income</b>	61	63	(2.9)%	31	30	4.6%
<b>Net trading income</b>	4	4	(15.6)%	1	2	(50.2)%
<b>Other net operating income</b>	2	3	(27.5)%	0	2	(93.6)%
<b>Operating income</b>	<b>199</b>	<b>213</b>	<b>(6.6)%</b>	<b>99</b>	<b>100</b>	<b>(0.2)%</b>
General administrative expenses	(108)	(118)	(8.8)%	(53)	(55)	(4.0)%
<b>Operating result</b>	<b>91</b>	<b>95</b>	<b>(4.0)%</b>	<b>47</b>	<b>45</b>	<b>4.5%</b>
Net provisioning for impairment losses	(20)	(32)	(36.7)%	(14)	(6)	118.4%
Other results	8	2	285.1%	1	6	(75.9)%
<b>Profit before tax</b>	<b>78</b>	<b>65</b>	<b>20.9%</b>	<b>34</b>	<b>44</b>	<b>(23.2)%</b>
Income taxes	(17)	(14)	20.5%	(7)	(10)	(24.1)%
<b>Profit after tax</b>	<b>61</b>	<b>50</b>	<b>21.0%</b>	<b>27</b>	<b>34</b>	<b>(22.9)%</b>
Profit attributable to non-controlling interests	(17)	(27)	(36.0)%	1	(19)	-
<b>Profit after non-controlling interests</b>	<b>44</b>	<b>23</b>	<b>86.8%</b>	<b>28</b>	<b>16</b>	<b>76.5%</b>
Assets	8,890	8,714	2.0%	8,890	8,988	(1.1)%
Loans and advances to customers	6,289	6,919	(9.1)%	6,289	6,771	(7.1)%
hereof corporate %	42.9%	43.4%	(0.5) PP	42.9%	43.2%	(0.3) PP
hereof retail %	56.8%	56.5%	0.4 PP	56.8%	56.7%	0.2 PP
hereof foreign currency %	7.0%	7.0%	0.0 PP	7.0%	6.7%	0.3 PP
Deposits from customers	6,135	5,576	10.0%	6,135	6,151	(0.3)%
Loan/deposit ratio	102.5%	124.1%	(21.6) PP	102.5%	110.1%	(7.6) PP
Return on equity before tax	26.1%	22.3%	3.8 PP	20.7%	29.0%	(8.3) PP
Return on equity after tax	20.4%	17.4%	3.0 PP	16.1%	22.5%	(6.4) PP
Cost/income ratio	54.2%	55.5%	(1.3) PP	53.2%	55.3%	(2.1) PP
Number of employees as of reporting date	3,001	3,092	(2.9)%	3,001	3,018	(0.6)%
Business outlets	131	121	8.3%	131	130	0.8%
Number of customers	485,652	433,505	12.0%	485,652	478,474	1.5%

## Hungary

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	120	160	(24.8)%	64	57	12.7%
<b>Net fee and commission income</b>	38	45	(15.7)%	19	19	2.0%
<b>Net trading income</b>	(19)	13	-	(16)	(3)	475.6%
<b>Other net operating income</b>	(26)	(32)	(18.6)%	(16)	(10)	52.4%
<b>Operating income</b>	<b>113</b>	<b>185</b>	<b>(39.0)%</b>	<b>51</b>	<b>62</b>	<b>(18.1)%</b>
General administrative expenses	(96)	(108)	(11.2)%	(48)	(48)	1.6%
<b>Operating result</b>	<b>17</b>	<b>77</b>	<b>(78.2)%</b>	<b>2</b>	<b>14</b>	<b>(83.4)%</b>
Net provisioning for impairment losses	(108)	(115)	(6.1)%	(62)	(46)	33.8%
Other results	16	(12)	-	8	8	(5.7)%
<b>Loss before tax</b>	<b>(76)</b>	<b>(51)</b>	<b>49.3%</b>	<b>(52)</b>	<b>(24)</b>	<b>118.1%</b>
Income taxes	(7)	9	-	(7)	0	-
<b>Loss after tax</b>	<b>(82)</b>	<b>(42)</b>	<b>98.0%</b>	<b>(59)</b>	<b>(24)</b>	<b>147.7%</b>
Profit attributable to non-controlling interests	5	5	(3.0)%	1	4	(75.1)%
<b>Loss after non-controlling interests</b>	<b>(77)</b>	<b>(37)</b>	<b>111.9%</b>	<b>(58)</b>	<b>(20)</b>	<b>191.8%</b>
Assets	7,392	8,857	(16.5)%	7,392	7,639	(3.2)%
Loans and advances to customers	5,493	6,185	(11.2)%	5,493	5,530	(0.7)%
hereof corporate %	54.6%	51.1%	3.4 PP	54.6%	54.6%	0.0 PP
hereof retail %	40.1%	45.5%	(5.4) PP	40.1%	40.3%	(0.2) PP
hereof foreign currency %	67.4%	68.3%	(0.8) PP	67.4%	76.3%	(8.9) PP
Deposits from customers	4,768	5,176	(7.9)%	4,768	5,020	(5.0)%
Loan/deposit ratio	115.2%	119.5%	(4.3) PP	115.2%	110.2%	5.0 PP
Return on equity before tax	-	-	-	-	-	-
Return on equity after tax	-	-	-	-	-	-
Cost/income ratio	85.1%	58.5%	26.7 PP	95.3%	76.8%	18.5 PP
Number of employees as of reporting date	2,916	3,230	(9.7)%	2,916	2,932	(0.5)%
Business outlets	134	144	(6.9)%	134	134	0.0%
Number of customers	639,151	645,761	(1.0)%	639,151	640,019	(0.1)%

**Poland**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>104</b>	<b>98</b>	<b>6.5%</b>	<b>61</b>	<b>43</b>	<b>41.5%</b>
<b>Net fee and commission income</b>	<b>69</b>	<b>69</b>	<b>0.2%</b>	<b>38</b>	<b>31</b>	<b>24.3%</b>
<b>Net trading income</b>	<b>20</b>	<b>10</b>	<b>97.1%</b>	<b>10</b>	<b>10</b>	<b>0.8%</b>
<b>Other net operating income</b>	<b>7</b>	<b>10</b>	<b>(30.2)%</b>	<b>4</b>	<b>3</b>	<b>47.8%</b>
<b>Operating income</b>	<b>201</b>	<b>187</b>	<b>7.2%</b>	<b>114</b>	<b>87</b>	<b>30.9%</b>
General administrative expenses	(122)	(100)	21.9%	(72)	(50)	43.3%
<b>Operating result</b>	<b>79</b>	<b>87</b>	<b>(9.7)%</b>	<b>42</b>	<b>37</b>	<b>14.0%</b>
Net provisioning for impairment losses	(49)	(23)	117.9%	(41)	(8)	437.6%
Other results	0	0	(0.5)%	0	0	-
<b>Profit before tax</b>	<b>30</b>	<b>65</b>	<b>(54.1)%</b>	<b>0</b>	<b>29</b>	<b>(98.8)%</b>
Income taxes	(7)	(13)	(50.6)%	(1)	(6)	(88.1)%
<b>Profit after tax</b>	<b>23</b>	<b>51</b>	<b>(55.0)%</b>	<b>0</b>	<b>23</b>	-
Profit attributable to non-controlling interests	(3)	(4)	(18.7)%	(2)	(1)	7.8%
<b>Profit/Loss after non-controlling interests</b>	<b>20</b>	<b>48</b>	<b>(57.8)%</b>	<b>(2)</b>	<b>22</b>	-
<b>Assets</b>	<b>13,727</b>	<b>7,173</b>	<b>91.4%</b>	<b>13,727</b>	<b>7,750</b>	<b>77.1%</b>
Loans and advances to customers	10,588	5,581	89.7%	10,588	5,569	90.1%
hereof corporate %	32.0%	60.0%	(28.0) PP	32.0%	62.1%	(30.1) PP
hereof retail %	68.0%	39.2%	28.7 PP	68.0%	37.7%	30.3 PP
hereof foreign currency %	54.9%	36.3%	18.6 PP	54.9%	38.2%	16.7 PP
Deposits from customers	8,138	3,982	104.4%	8,138	4,574	77.9%
Loan/deposit ratio	130.1%	140.2%	(10.1) PP	130.1%	121.8%	8.4 PP
<b>Return on equity before tax</b>	<b>6.0%</b>	<b>17.5%</b>	<b>(11.5) PP</b>	-	<b>16.3%</b>	-
<b>Return on equity after tax</b>	<b>4.6%</b>	<b>13.9%</b>	<b>(9.2) PP</b>	-	<b>13.1%</b>	-
<b>Cost/income ratio</b>	<b>60.8%</b>	<b>53.5%</b>	<b>7.3 PP</b>	<b>63.2%</b>	<b>57.7%</b>	<b>5.5 PP</b>
<b>Number of employees as of reporting date</b>	<b>6,218</b>	<b>3,134</b>	<b>98.4%</b>	<b>6,218</b>	<b>3,183</b>	<b>95.4%</b>
<b>Business outlets</b>	<b>443</b>	<b>117</b>	<b>278.6%</b>	<b>443</b>	<b>116</b>	<b>281.9%</b>
<b>Number of customers</b>	<b>935,310</b>	<b>247,543</b>	<b>277.8%</b>	<b>935,310</b>	<b>241,015</b>	<b>288.1%</b>

Initial consolidation of Polbank on 1 May 2012

**Slovakia**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
Net interest income	148	151	(2.2)%	70	77	(9.2)%
Net fee and commission income	64	63	0.6%	33	31	5.7%
Net trading income	4	0	-	1	2	(37.6)%
Other net operating income	(2)	3	-	0	(2)	(75.0)%
<b>Operating income</b>	<b>213</b>	<b>217</b>	<b>(1.6)%</b>	<b>104</b>	<b>109</b>	<b>(4.5)%</b>
General administrative expenses	(122)	(130)	(6.4)%	(58)	(63)	(7.5)%
<b>Operating result</b>	<b>91</b>	<b>87</b>	<b>5.6%</b>	<b>46</b>	<b>46</b>	<b>(0.4)%</b>
Net provisioning for impairment losses	(16)	3	-	(4)	(13)	(71.6)%
Other results	4	(1)	-	0	4	-
<b>Profit before tax</b>	<b>79</b>	<b>88</b>	<b>(9.7)%</b>	<b>42</b>	<b>37</b>	<b>11.7%</b>
Income taxes	(18)	(17)	3.1%	(9)	(9)	(3.5)%
<b>Profit after tax</b>	<b>61</b>	<b>70</b>	<b>(12.8)%</b>	<b>33</b>	<b>28</b>	<b>16.6%</b>
Profit attributable to non-controlling interests	(13)	(28)	(51.9)%	(2)	(11)	(77.9)%
<b>Profit after non-controlling interests</b>	<b>48</b>	<b>43</b>	<b>12.5%</b>	<b>31</b>	<b>17</b>	<b>75.9%</b>
Assets	9,823	9,149	7.4%	9,823	10,008	(1.8)%
Loans and advances to customers	6,650	6,367	4.5%	6,650	6,687	(0.6)%
hereof corporate %	50.1%	51.8%	(1.7) PP	50.1%	51.1%	(1.0) PP
hereof retail %	49.7%	48.0%	1.7 PP	49.7%	48.7%	1.0 PP
hereof foreign currency %	1.0%	1.1%	(0.1) PP	1.0%	0.9%	0.0 PP
Deposits from customers	7,325	6,899	6.2%	7,325	7,589	(3.5)%
Loan/deposit ratio	90.8%	92.3%	(1.5) PP	90.8%	88.1%	2.7 PP
Return on equity before tax	16.8%	21.6%	(4.8) PP	16.4%	15.2%	1.2 PP
Return on equity after tax	13.0%	17.3%	(4.4) PP	13.0%	11.5%	1.5 PP
Cost/income ratio	57.1%	60.0%	(2.9) PP	56.1%	57.9%	(1.8) PP
Number of employees as of reporting date	3,819	3,768	1.4%	3,819	3,815	0.1%
Business outlets	152	157	(3.2)%	152	155	(1.9)%
Number of customers	818,395	757,893	8.0%	818,395	800,581	2.2%

**Slovenia**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	12	16	(23.5)%	6	6	(1.8)%
<b>Net fee and commission income</b>	4	4	(5.0)%	2	2	(3.5)%
<b>Net trading income</b>	0	0	-	0	0	46.2%
<b>Other net operating income</b>	0	0	61.2%	0	0	18.7%
<b>Operating income</b>	<b>17</b>	<b>20</b>	<b>(16.8)%</b>	<b>8</b>	<b>8</b>	<b>(1.2)%</b>
General administrative expenses	(12)	(14)	(12.0)%	(6)	(6)	(0.6)%
<b>Operating result</b>	<b>5</b>	<b>6</b>	<b>(27.5)%</b>	<b>2</b>	<b>2</b>	<b>(2.8)%</b>
Net provisioning for impairment losses	(5)	(10)	(47.7)%	(3)	(2)	17.4%
Other results	0	0	25.1%	0	0	(72.9)%
<b>Profit/loss before tax</b>	<b>0</b>	<b>(3)</b>	<b>(88.1)%</b>	<b>0</b>	<b>0</b>	-
Income taxes	0	0	-	0	0	-
<b>Profit/loss after tax</b>	<b>0</b>	<b>(3)</b>	<b>(89.1)%</b>	<b>(1)</b>	<b>0</b>	-
Profit attributable to non-controlling interests	0	0	-	0	0	-
<b>Profit/Loss after non-controlling interests</b>	<b>0</b>	<b>(3)</b>	<b>(87.1)%</b>	<b>0</b>	<b>0</b>	-
Assets	1,629	1,679	(3.0)%	1,629	1,660	(1.9)%
Loans and advances to customers	1,269	1,344	(5.6)%	1,269	1,295	(2.0)%
hereof corporate %	62.1%	63.1%	(1.0) PP	62.1%	62.1%	0.0 PP
hereof retail %	31.6%	30.8%	0.8 PP	31.6%	31.7%	(0.1) PP
hereof foreign currency %	5.5%	7.2%	(1.7) PP	5.5%	6.9%	(1.4) PP
Deposits from customers	467	480	(2.7)%	467	465	0.3%
Loan/deposit ratio	271.9%	280.3%	(8.4) PP	271.9%	278.3%	(6.4) PP
Return on equity before tax	-	-	-	-	-	-
Return on equity after tax	-	-	-	-	-	-
Cost/income ratio	72.8%	68.8%	4.0 PP	73.0%	72.6%	0.4 PP
Number of employees as of reporting date	326	357	(8.7)%	326	319	2.2%
Business outlets	17	17	0.0%	17	17	0.0%
Number of customers	67,718	67,102	0.9%	67,718	67,720	0.0%

## Southeastern Europe

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	647	678	(4.6)%	317	330	(4.1)%
<i>General administrative expenses</i>	(342)	(372)	(8.0)%	(165)	(177)	(6.7)%
<b><i>Operating result</i></b>	<b>305</b>	<b>306</b>	<b>(0.4)%</b>	<b>152</b>	<b>153</b>	<b>(1.0)%</b>
<i>Net provisioning for impairment losses</i>	(128)	(124)	3.2%	(67)	(60)	11.9%
<i>Other results</i>	12	6	92.3%	(9)	21	-
<b>Profit before tax</b>	<b>189</b>	<b>189</b>	<b>0.3%</b>	<b>75</b>	<b>114</b>	<b>(34.4)%</b>
Assets	22,292	22,471	(0.8)%	22,292	23,097	(3.5)%
Net interest margin	3.97%	4.05%	(0.08) PP	3.92%	3.98%	(0.06) PP
<b>Return on equity before tax</b>	<b>18.1%</b>	<b>18.1%</b>	<b>0.0 PP</b>	<b>14.1%</b>	<b>21.2%</b>	<b>(7.1) PP</b>

In Southeastern Europe, where only a modest improvement in the economy was noticeable in the reporting period, profit before tax remained unchanged at € 189 million compared with the first half of 2011. Lower operating income was offset by lower general administrative expenses. Return on equity before tax also remained unchanged at 18.1 per cent.

### Operating income

Net interest income in the segment declined by 1 per cent to € 451 million, which was attributable to the following developments in several of the region's countries: Loan volume declined in Croatia, and new business was concluded with lower margins. A change in the method to account for interest on non-performing loans constituted the reason for a decline in Bulgaria. In Romania, in contrast, net interest income rose by 28 per cent thanks to considerably higher loan volumes with corporate customers and private individuals. In total, the net interest margin in the segment fell slightly by 8 basis points to 3.97 per cent. Total assets declined year-on-year from € 22.5 billion to € 22.3 billion, while credit risk-weighted assets were down 19 per cent to € 13.3 billion. The main reason for this decline was Croatia, where obligations to the public sector received a lower weighting due to the country's imminent accession to the EU. In addition, credit risk-weighted assets declined in the corporate customer area in Romania due to lower default rates.

Net fee and commission income declined year-on-year by 15 per cent to € 152 million. Payment transfer business continued to be the biggest contributor with € 84 million. Income from this business fell year-on-year by 1 per cent, whereas income from loan and guarantee business declined by 67 per cent to € 12 million. This was mainly attributable to developments in Romania, where lower prices, particularly in the retail business, led to a decline in net fee and commission income. Income from foreign currency, notes/coins, and precious-metals business, which for the most part came from Croatia and Romania, rose 2 per cent year-on-year to € 32 million. Income from the management of investment and pension funds fell, in contrast, by 38 per cent to € 4 million due to the performance in Croatia.

Net trading income for the Southeastern Europe segment rose year-on-year by 2 per cent to € 27 million. Income from currency-based transactions decreased by nearly half to € 8 million, mainly because of a decline in the net valuation result on forward transactions in Romania. A 62 per cent increase in net income to € 20 million was posted for interest-based transactions, which was primarily the result of valuation gains on bonds in the trading portfolio in Croatia due to the tightening of spreads. Growth in the trading portfolio in Albania led to an increase, too.

Other net operating income fell by 2 per cent year-on-year to € 17 million. Although the release of other provisions in several countries in the region had a positive impact on results, income from operating lease business declined due to lower new business in Croatia.

#### ***General administrative expenses***

The segment's general administrative expenses decreased year-on-year by a total of 8 per cent to € 342 million. Staff expenses were lower primarily in Romania due to personnel cuts. Other administrative expenses sank by 9 per cent in total to € 146 million, which was attributable to reductions in advertising, PR and promotional expense, IT expenses, and office supplies. Depreciation in the segment dropped by 12 per cent to € 47 million, mainly due to tangible fixed assets in Romania and leased assets in Croatia. The cost/income ratio went down 2.0 percentage points to 52.9 per cent, a result of general administrative expenses decreasing more than operating income.

#### ***Net provisioning for impairment losses***

The segment's net provisioning for impairment losses increased 3 per cent compared to the same period last year, reaching € 128 million. Net allocations to individual loan loss provisions rose by 1 per cent or € 1 million to € 140 million. The increase in Romania partially offset net releases in several other countries in the region. As in the same period last year, there was a net release of portfolio-based loan loss provisions totaling € 12 million, primarily in Romania, where at the same time individual loan loss provisions were also built due to loan defaults. Furthermore, a revaluation of collateral resulted in an improvement in individual loan loss provisions in Croatia. The percentage of non-performing loans in the segment's loan portfolio rose year-on-year by 2.3 percentage points to 12.3 per cent, which was primarily attributable to individual corporate customers in Bosnia and Herzegovina, as well as in Bulgaria. Non-performing loans for both corporate and retail customers rose only modestly in Croatia and Romania.

#### ***Other results and taxes***

Other results for the Southeastern Europe segment doubled year-on-year to € 12 million. Net income from financial investments rose from € 2 million to € 16 million, mainly due to higher gains from the sale of corporate bonds in Serbia and Croatia, as well as due to government bonds in Romania, where a decline in yields occurred. Net income from derivatives was down year-on-year by € 8 million to minus € 4 million due to valuation losses in Croatia.

Income taxes for the region increased year-on-year by 2 per cent to € 24 million, but the tax rate remained nearly unchanged at 13 per cent. Profit after non-controlling interests rose by 2 per cent to € 155 million.

Below please find the detailed results of the individual countries in the segment:

### Albania

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>42</b>	<b>44</b>	<b>(5.5)%</b>	<b>20</b>	<b>21</b>	<b>(6.6)%</b>
<b>Net fee and commission income</b>	<b>4</b>	<b>4</b>	<b>(8.2)%</b>	<b>2</b>	<b>2</b>	<b>1.2%</b>
<b>Net trading income</b>	<b>8</b>	<b>6</b>	<b>27.4%</b>	<b>4</b>	<b>4</b>	<b>(8.3)%</b>
<b>Other net operating income</b>	<b>0</b>	<b>0</b>	<b>217.1%</b>	<b>0</b>	<b>0</b>	<b>&gt;500.0%</b>
<b>Operating income</b>	<b>53</b>	<b>54</b>	<b>(2.2)%</b>	<b>26</b>	<b>28</b>	<b>(7.4)%</b>
General administrative expenses	(19)	(18)	6.7%	(11)	(9)	23.5%
<b>Operating result</b>	<b>34</b>	<b>36</b>	<b>(6.7)%</b>	<b>15</b>	<b>19</b>	<b>(21.5)%</b>
Net provisioning for impairment losses	(6)	(13)	(51.8)%	(2)	(4)	(45.6)%
Other results	0	0	-	0	0	-
<b>Profit before tax</b>	<b>28</b>	<b>23</b>	<b>18.7%</b>	<b>13</b>	<b>15</b>	<b>(14.9)%</b>
Income taxes	(3)	(3)	3.3%	(1)	(2)	(10.0)%
<b>Profit after tax</b>	<b>25</b>	<b>20</b>	<b>20.9%</b>	<b>11</b>	<b>13</b>	<b>(15.4)%</b>
Profit attributable to non-controlling interests	0	0	87.2%	0	0	(15.9)%
<b>Profit after non-controlling interests</b>	<b>25</b>	<b>20</b>	<b>20.8%</b>	<b>11</b>	<b>13</b>	<b>(15.4)%</b>
Assets	2,356	2,094	12.5%	2,356	2,287	3.0%
Loans and advances to customers	977	799	22.3%	977	978	(0.1)%
hereof corporate %	67.3%	60.6%	6.7 PP	67.3%	66.6%	0.8 PP
hereof retail %	32.7%	39.4%	(6.7) PP	32.7%	33.4%	(0.8) PP
hereof foreign currency %	67.5%	63.9%	3.6 PP	67.5%	57.2%	10.3 PP
Deposits from customers	2,085	1,768	17.9%	2,085	2,013	3.6%
Loan/deposit ratio	46.9%	45.2%	1.7 PP	46.9%	48.6%	(1.7) PP
Return on equity before tax	29.6%	24.6%	5.0 PP	25.1%	32.3%	(7.2) PP
Return on equity after tax	26.4%	21.6%	4.8 PP	22.4%	28.9%	(6.6) PP
Cost/income ratio	36.3%	33.2%	3.0 PP	41.7%	31.3%	10.4 PP
Number of employees as of reporting date	1,419	1,364	4.0%	1,419	1,420	(0.1)%
Business outlets	105	103	1.9%	105	105	0.0%
Number of customers	683,625	670,701	1.9%	683,625	669,632	2.1%

**Bosnia and Herzegovina**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>36</b>	<b>39</b>	(7.8)%	<b>18</b>	<b>18</b>	(1.4)%
<b>Net fee and commission income</b>	<b>15</b>	<b>15</b>	(0.2)%	<b>8</b>	<b>7</b>	21.0%
<b>Net trading income</b>	<b>1</b>	<b>0</b>	12.9%	<b>0</b>	<b>0</b>	86.4%
<b>Other net operating income</b>	<b>0</b>	<b>2</b>	(96.4)%	<b>(1)</b>	<b>1</b>	-
<b>Operating income</b>	<b>52</b>	<b>56</b>	(8.1)%	<b>26</b>	<b>26</b>	0.7%
General administrative expenses	(30)	(31)	(3.9)%	(15)	(15)	5.1%
<b>Operating result</b>	<b>22</b>	<b>25</b>	(13.3)%	<b>11</b>	<b>11</b>	(5.0)%
Net provisioning for impairment losses	(11)	(6)	69.3%	(5)	(6)	(17.0)%
Other results	2	(1)	-	0	2	-
<b>Profit before tax</b>	<b>13</b>	<b>18</b>	(28.8)%	<b>5</b>	<b>7</b>	(25.8)%
Income taxes	(1)	(1)	2.5%	(1)	(1)	(15.1)%
<b>Profit after tax</b>	<b>11</b>	<b>16</b>	(31.2)%	<b>5</b>	<b>7</b>	(27.0)%
Profit attributable to non-controlling interests	0	0	(28.5)%	0	0	-
<b>Profit after non-controlling interests</b>	<b>11</b>	<b>16</b>	(31.2)%	<b>5</b>	<b>6</b>	(26.2)%
Assets	2,031	2,147	(5.4)%	2,031	2,069	(1.8)%
Loans and advances to customers	1,310	1,372	(4.6)%	1,310	1,330	(1.5)%
hereof corporate %	41.9%	43.6%	(1.7) PP	41.9%	42.7%	(0.8) PP
hereof retail %	57.5%	55.1%	2.5 PP	57.5%	56.8%	0.8 PP
hereof foreign currency %	75.4%	66.2%	9.1 PP	75.4%	75.8%	(0.5) PP
Deposits from customers	1,557	1,617	(3.7)%	1,557	1,564	(0.4)%
Loan/deposit ratio	84.1%	84.9%	(0.7) PP	84.1%	85.1%	(0.9) PP
Return on equity before tax	10.4%	14.7%	(4.2) PP	8.5%	11.5%	(3.0) PP
Return on equity after tax	9.3%	13.6%	(4.3) PP	7.5%	10.4%	(2.8) PP
Cost/income ratio	57.8%	55.3%	2.5 PP	59.0%	56.6%	2.5 PP
Number of employees as of reporting date	1,552	1,621	(4.3)%	1,552	1,550	0.1%
Business outlets	98	98	0.0%	98	98	0.0%
Number of customers	496,347	629,921	(21.2)%	496,347	593,325	(16.3)%

**Bulgaria**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
Net interest income	72	85	(14.9)%	36	37	(3.6)%
Net fee and commission income	18	18	1.9%	9	9	9.6%
Net trading income	2	4	(36.9)%	1	1	(2.3)%
Other net operating income	0	0	-	0	0	-
<b>Operating income</b>	<b>93</b>	<b>107</b>	<b>(13.4)%</b>	<b>46</b>	<b>46</b>	<b>(0.3)%</b>
General administrative expenses	(46)	(48)	(4.4)%	(23)	(23)	(0.7)%
<b>Operating result</b>	<b>46</b>	<b>58</b>	<b>(20.8)%</b>	<b>23</b>	<b>23</b>	<b>0.2%</b>
Net provisioning for impairment losses	(29)	(27)	9.1%	(15)	(15)	0.1%
Other results	0	0	-	0	0	-
<b>Profit before tax</b>	<b>17</b>	<b>32</b>	<b>(46.8)%</b>	<b>8</b>	<b>9</b>	<b>(1.0)%</b>
Income taxes	(1)	(3)	(51.7)%	(1)	(1)	(25.6)%
<b>Profit after tax</b>	<b>16</b>	<b>29</b>	<b>(46.3)%</b>	<b>8</b>	<b>8</b>	<b>1.6%</b>
Profit attributable to non-controlling interests	0	(1)	-	1	(1)	-
<b>Profit after non-controlling interests</b>	<b>16</b>	<b>28</b>	<b>(45.0)%</b>	<b>9</b>	<b>7</b>	<b>28.4%</b>
Assets	3,820	3,752	1.8%	3,820	3,610	5.8%
Loans and advances to customers	2,901	2,886	0.5%	2,901	2,924	(0.8)%
hereof corporate %	44.5%	43.7%	0.8 PP	44.5%	44.5%	(0.1) PP
hereof retail %	55.0%	55.9%	(0.9) PP	55.0%	54.9%	0.1 PP
hereof foreign currency %	76.2%	76.6%	(0.5) PP	76.2%	79.6%	(3.5) PP
Deposits from customers	2,216	2,084	6.3%	2,216	2,124	4.3%
Loan/deposit ratio	130.9%	138.5%	(7.6) PP	130.9%	137.7%	(6.8) PP
Return on equity before tax	6.9%	13.1%	(6.2) PP	6.6%	6.9%	(0.3) PP
Return on equity after tax	6.3%	11.9%	(5.6) PP	6.1%	6.2%	(0.1) PP
Cost/income ratio	50.1%	45.4%	4.7 PP	49.9%	50.2%	(0.2) PP
Number of employees as of reporting date	3,151	3,249	(3.0)%	3,151	3,202	(1.6)%
Business outlets	184	189	(2.6)%	184	184	0.0%
Number of customers	786,667	753,646	4.4%	786,667	780,136	0.8%

**Croatia**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
Net interest income	78	90	(13.5)%	39	39	0.5%
Net fee and commission income	27	32	(14.8)%	13	14	(1.4)%
Net trading income	13	5	187.6%	7	6	25.3%
Other net operating income	16	15	5.2%	7	9	(27.2)%
<b>Operating income</b>	<b>133</b>	<b>141</b>	<b>(5.3)%</b>	<b>66</b>	<b>67</b>	<b>(1.5)%</b>
General administrative expenses	(69)	(78)	(11.4)%	(32)	(38)	(15.8)%
<b>Operating result</b>	<b>64</b>	<b>63</b>	<b>2.2%</b>	<b>35</b>	<b>30</b>	<b>16.8%</b>
Net provisioning for impairment losses	(23)	(31)	(27.4)%	(18)	(5)	285.9%
Other results	(2)	4	-	(4)	3	-
<b>Profit before tax</b>	<b>40</b>	<b>35</b>	<b>11.9%</b>	<b>12</b>	<b>27</b>	<b>(56.0)%</b>
Income taxes	(8)	(7)	14.3%	(2)	(5)	(62.2)%
<b>Profit after tax</b>	<b>32</b>	<b>29</b>	<b>11.3%</b>	<b>10</b>	<b>22</b>	<b>(54.4)%</b>
Profit attributable to non-controlling interests	(9)	(8)	13.5%	(2)	(6)	(60.8)%
<b>Profit after non-controlling interests</b>	<b>23</b>	<b>21</b>	<b>10.5%</b>	<b>8</b>	<b>16</b>	<b>(51.9)%</b>
Assets	5,159	5,640	(8.5)%	5,159	6,333	(18.5)%
Loans and advances to customers	3,710	3,885	(4.5)%	3,710	3,854	(3.7)%
hereof corporate %	41.0%	38.9%	2.0 PP	41.0%	40.7%	0.2 PP
hereof retail %	48.3%	48.5%	(0.2) PP	48.3%	47.5%	0.8 PP
hereof foreign currency %	65.4%	68.2%	(2.8) PP	65.4%	67.0%	(1.6) PP
Deposits from customers	2,965	2,986	(0.7)%	2,965	3,057	(3.0)%
Loan/deposit ratio	125.1%	130.1%	(5.0) PP	125.1%	126.1%	(1.0) PP
Return on equity before tax	10.5%	8.8%	1.7 PP	6.2%	14.2%	(7.9) PP
Return on equity after tax	8.5%	7.2%	1.3 PP	5.2%	11.4%	(6.2) PP
Cost/income ratio	52.0%	55.5%	(3.6) PP	47.9%	56.0%	(8.1) PP
Number of employees as of reporting date	2,070	2,112	(2.0)%	2,070	2,080	(0.5)%
Business outlets	79	84	(6.0)%	79	81	(2.5)%
Number of customers	487,323	541,585	(10.0)%	487,323	513,973	(5.2)%

**Kosovo**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Net interest income</i>	20	18	6.8%	10	10	(4.6)%
<i>Net fee and commission income</i>	4	3	11.7%	2	2	12.1%
<i>Net trading income</i>	0	0	-	0	0	215.6%
<i>Other net operating income</i>	0	0	-	0	0	-
<b>Operating income</b>	<b>24</b>	<b>22</b>	<b>8.6%</b>	<b>12</b>	<b>12</b>	<b>(1.6)%</b>
General administrative expenses	(13)	(12)	6.0%	(6)	(7)	(5.6)%
<b>Operating result</b>	<b>10</b>	<b>9</b>	<b>12.0%</b>	<b>5</b>	<b>5</b>	<b>3.6%</b>
Net provisioning for impairment losses	(3)	(2)	80.9%	(2)	(1)	18.3%
Other results	0	0	140.2%	0	1	-
<b>Profit before tax</b>	<b>8</b>	<b>8</b>	<b>(0.7)%</b>	<b>3</b>	<b>4</b>	<b>(19.6)%</b>
Income taxes	(1)	(1)	28.2%	0	0	3.9%
<b>Profit after tax</b>	<b>7</b>	<b>7</b>	<b>(3.4)%</b>	<b>3</b>	<b>4</b>	<b>(22.2)%</b>
Profit attributable to non-controlling interests	0	0	93.4%	0	0	59.9%
<b>Profit after non-controlling interests</b>	<b>7</b>	<b>7</b>	<b>(3.6)%</b>	<b>3</b>	<b>4</b>	<b>(22.3)%</b>
Assets	635	667	(4.8)%	635	650	(2.3)%
Loans and advances to customers	428	418	2.4%	428	423	1.2%
hereof corporate %	34.5%	31.8%	2.7 PP	34.5%	34.2%	0.3 PP
hereof retail %	65.5%	68.2%	(2.7) PP	65.5%	65.8%	(0.3) PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	521	547	(4.7)%	521	524	(0.5)%
Loan/deposit ratio	82.2%	76.5%	5.7 PP	82.2%	80.8%	1.4 PP
Return on equity before tax	17.7%	17.4%	0.3 PP	14.8%	18.4%	(3.6) PP
Return on equity after tax	15.8%	15.9%	(0.1) PP	12.9%	16.6%	(3.7) PP
Cost/income ratio	55.7%	57.0%	(1.4) PP	54.5%	56.8%	(2.3) PP
Number of employees as of reporting date	708	713	(0.7)%	708	714	(0.8)%
Business outlets	54	52	3.8%	54	54	0.0%
Number of customers	262,318	238,581	9.9%	262,318	257,216	2.0%

**Romania**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
Net interest income	159	124	27.6%	79	80	(2.0)%
Net fee and commission income	67	90	(26.3)%	33	33	(0.1)%
Net trading income	4	10	(56.7)%	(1)	5	-
Other net operating income	0	0	-	0	0	-
<b>Operating income</b>	<b>230</b>	<b>224</b>	<b>2.6%</b>	<b>111</b>	<b>119</b>	<b>(6.8)%</b>
General administrative expenses	(127)	(144)	(11.5)%	(61)	(67)	(8.9)%
<b>Operating result</b>	<b>103</b>	<b>80</b>	<b>27.9%</b>	<b>50</b>	<b>52</b>	<b>(4.1)%</b>
Net provisioning for impairment losses	(49)	(34)	44.9%	(22)	(27)	(20.9)%
Other results	4	1	>500.0%	(7)	11	-
<b>Profit before tax</b>	<b>58</b>	<b>47</b>	<b>23.2%</b>	<b>22</b>	<b>36</b>	<b>(40.0)%</b>
Income taxes	(8)	(7)	17.5%	(3)	(5)	(32.8)%
<b>Profit after tax</b>	<b>49</b>	<b>40</b>	<b>24.3%</b>	<b>18</b>	<b>31</b>	<b>(41.1)%</b>
Profit attributable to non-controlling interests	0	(1)	(87.5)%	0	0	-
<b>Profit after non-controlling interests</b>	<b>49</b>	<b>39</b>	<b>26.0%</b>	<b>18</b>	<b>31</b>	<b>(43.2)%</b>
Assets	6,401	6,172	3.7%	6,401	6,263	2.2%
Loans and advances to customers	4,223	4,397	(4.0)%	4,223	4,339	(2.7)%
hereof corporate %	35.4%	34.1%	1.3 PP	35.4%	36.5%	(1.1) PP
hereof retail %	62.3%	60.7%	1.6 PP	62.3%	61.5%	0.8 PP
hereof foreign currency %	55.3%	52.1%	3.2 PP	55.3%	52.1%	3.2 PP
Deposits from customers	3,692	3,499	5.5%	3,692	3,872	(4.6)%
Loan/deposit ratio	114.4%	125.7%	(11.3) PP	114.4%	112.1%	2.3 PP
Return on equity before tax	23.5%	19.2%	4.3 PP	16.1%	27.8%	(11.6) PP
Return on equity after tax	20.1%	16.3%	3.8 PP	13.6%	23.9%	(10.3) PP
Cost/income ratio	55.4%	64.2%	(8.8) PP	54.7%	56.0%	(1.3) PP
Number of employees as of reporting date	5,821	6,054	(3.8)%	5,821	5,880	(1.0)%
Business outlets	541	544	(0.6)%	541	540	0.2%
Number of customers	1,961,283	1,939,762	1.1%	1,961,283	1,932,098	1.5%

**Serbia**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>45</b>	<b>54</b>	<b>(17.1)%</b>	<b>22</b>	<b>23</b>	<b>(4.5)%</b>
<b>Net fee and commission income</b>	<b>17</b>	<b>16</b>	<b>5.4%</b>	<b>9</b>	<b>8</b>	<b>5.9%</b>
<b>Net trading income</b>	<b>(2)</b>	<b>2</b>	<b>-</b>	<b>(2)</b>	<b>0</b>	<b>-</b>
<b>Other net operating income</b>	<b>2</b>	<b>2</b>	<b>25.8%</b>	<b>2</b>	<b>1</b>	<b>106.6%</b>
<b>Operating income</b>	<b>63</b>	<b>74</b>	<b>(15.0)%</b>	<b>30</b>	<b>33</b>	<b>(7.0)%</b>
General administrative expenses	(37)	(40)	(6.2)%	(17)	(20)	(12.1)%
<b>Operating result</b>	<b>26</b>	<b>34</b>	<b>(25.2)%</b>	<b>13</b>	<b>13</b>	<b>0.7%</b>
Net provisioning for impairment losses	(6)	(11)	(40.1)%	(4)	(2)	101.7%
Other results	8	2	253.0%	3	5	(46.8)%
<b>Profit before tax</b>	<b>27</b>	<b>26</b>	<b>4.7%</b>	<b>11</b>	<b>16</b>	<b>(28.3)%</b>
Income taxes	(2)	(2)	(19.2)%	(1)	(1)	(34.6)%
<b>Profit after tax</b>	<b>25</b>	<b>24</b>	<b>7.1%</b>	<b>11</b>	<b>15</b>	<b>(27.8)%</b>
Profit attributable to non-controlling interests	0	1	-	0	0	(89.8)%
<b>Profit after non-controlling interests</b>	<b>25</b>	<b>24</b>	<b>4.2%</b>	<b>11</b>	<b>15</b>	<b>(27.4)%</b>
Assets	1,952	2,050	(4.8)%	1,952	1,969	(0.9)%
Loans and advances to customers	1,241	1,368	(9.3)%	1,241	1,309	(5.2)%
hereof corporate %	55.2%	54.9%	0.3 PP	55.2%	56.9%	(1.7) PP
hereof retail %	42.0%	42.2%	(0.2) PP	42.0%	39.9%	2.1 PP
hereof foreign currency %	72.0%	65.2%	6.8 PP	72.0%	67.3%	4.7 PP
Deposits from customers	1,052	1,015	3.7%	1,052	1,042	1.0%
Loan/deposit ratio	117.9%	134.8%	(16.9) PP	117.9%	125.6%	(7.7) PP
Return on equity before tax	11.6%	10.5%	1.2 PP	10.0%	13.3%	(3.2) PP
Return on equity after tax	10.8%	9.5%	1.3 PP	9.4%	12.3%	(2.9) PP
Cost/income ratio	59.2%	53.6%	5.6 PP	57.5%	60.8%	(3.3) PP
Number of employees as of reporting date	1,761	1,776	(0.8)%	1,761	1,763	(0.1)%
Business outlets	84	84	0.0%	84	85	(1.2)%
Number of customers	517,591	496,254	4.3%	517,591	510,594	1.4%

## Russia

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	555	447	24.1%	266	289	(7.8)%
<i>General administrative expenses</i>	(238)	(222)	7.3%	(116)	(122)	(4.8)%
<b><i>Operating result</i></b>	<b>317</b>	<b>226</b>	<b>40.6%</b>	<b>150</b>	<b>167</b>	<b>(10.0)%</b>
<i>Net provisioning for impairment losses</i>	15	(4)	-	14	1	>500.0%
<i>Other results</i>	0	(15)	-	10	(10)	-
<b><i>Profit before tax</i></b>	<b>332</b>	<b>206</b>	<b>61.4%</b>	<b>175</b>	<b>158</b>	<b>10.9%</b>
<i>Assets</i>	17,041	13,196	29.1%	17,041	15,195	12.1%
<i>Net interest margin</i>	4.68%	4.42%	0.25 PP	4.41%	5.01%	(0.60) PP
<b><i>Return on equity before tax</i></b>	<b>43.4%</b>	<b>33.1%</b>	<b>10.3 PP</b>	<b>45.1%</b>	<b>40.3%</b>	<b>4.8 PP</b>

Profit before tax for the Russia segment rose by 61 per cent to € 332 million. The segment improved its operating income year-on-year thanks to an increase in its loan portfolio above that of the group average, which was primarily related to large corporate customers and private individuals. Although general administrative expenses rose because of this growth, the segment's cost/income ratio still improved year-on-year by 6.7 percentage points to 42.9 per cent. Return on equity before tax increased significantly by 10.3 percentage points to 43.4 per cent.

### Operating income

Net interest income in Russia rose by 30 per cent or € 83 million to € 362 million year-on-year. Despite the weakening of the Russian rouble, the increase totaled 14 per cent and was primarily attributable to an expansion of the loan portfolio with large corporate customers and private individuals. The significant rise in interest income from derivatives, mainly resulting from a higher number of transactions and larger transaction volumes, also made a positive contribution to net interest income to the amount of € 70 million. This increase was based on the positioning of the Russian unit. The segment reported a year-on-year improvement in its net interest margin by 25 basis points to 4.68 per cent. Total assets grew by 29 per cent to € 17.0 billion, while credit risk-weighted assets rose by 8 per cent to € 10.1 billion as a result of a significant increase in the loan portfolio. In contrast, the first-time application of the IRB-based approach for loans in almost all non-retail asset classes reduced credit risk-weighted assets significantly.

The segment's net fee and commission income rose year-on-year by 23 per cent or € 25 million to € 135 million. Income from payment transfer business was 28 per cent higher than in the same period last year, and, at € 48 million, still provided the largest contribution to net fee and commission income. Income from foreign currency, notes/coins and precious-metals business, as well as net income from loan and guarantee business, contributed a further € 32 million and € 36 million respectively to net fee and commission income.

Net trading income was down 6 per cent year-on-year to € 56 million. Net income from currency-based transactions was up € 12 million to € 44 million, primarily due to higher revaluation gains both on currency swaps held for proprietary trading and on foreign currency positions. In contrast, net income from interest-based transactions declined by € 16 million to € 12 million due to a lower portfolio of bonds in the trading book.

The segment's other net operating income turned around from minus € 1 million to plus € 2 million, mostly due to the release of other provisions for legal disputes that were successfully resolved during the reporting period.

#### **General administrative expenses**

The segment's general administrative expenses rose by 7 per cent to € 238 million. Higher staff expenses due to salary increases at the end of the previous year were primarily responsible for this increase. In addition, other administrative expenses rose due to deposit insurance fees, as well as advertising, PR and promotional expenses. The number of business outlets increased by 3 locations to 193. The cost/income ratio improved year-on-year by 6.7 percentage points to 42.9 per cent thanks to the considerable rise in operating income.

#### **Net provisioning for impairment losses**

There was a net release of € 15 million in net provisions for impairment losses, resulting in a € 19 million improvement over the same period last year. Net allocations to individual loan loss provisions rose for the loan portfolio by € 3 million to € 1 million. There was a net release in portfolio-based loan loss provisions, resulting in a year-on-year reduction of € 20 million to € 14 million. The release was due to an improvement in portfolio quality since new business was primarily concluded with better-rated customers, and old loans with poorer customer ratings matured. The ratio of non-performing loans in the loan portfolio decreased year-on-year by 1.5 percentage points to 5.7 per cent.

#### **Other results and taxes**

Other results for the Russia segment rose year-on-year by € 16 million in total to just under € 1 million. Net income from derivatives of € 5 million was due primarily to valuation gains on interest swap transactions concluded to mitigate interest rate structure risk. In the previous year, this net income was minus € 14 million. Net income from financial investments amounted to minus € 2 million and resulted from the valuation of securities.

Income taxes increased to € 77 million compared to the same period last year, while the tax rate declined by 1 percentage point to 23 per cent. Profit after non-controlling interests rose by 69 per cent to € 261 million.

## Russia

The table below provides an overview of the country results for Russia. Any discrepancies with the values for the Russia segment are the result of equity being allocated differently. The income figures in the country overview are based on the equity reported on the statement of financial position; at segment level the equity is based on actual equity used.

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>362</b>	<b>279</b>	<b>29.7%</b>	<b>178</b>	<b>184</b>	<b>(3.5)%</b>
<b>Net fee and commission income</b>	<b>135</b>	<b>109</b>	<b>23.1%</b>	<b>71</b>	<b>63</b>	<b>12.5%</b>
<b>Net trading income</b>	<b>56</b>	<b>60</b>	<b>(6.2)%</b>	<b>15</b>	<b>41</b>	<b>(64.5)%</b>
<b>Other net operating income</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>2</b>	<b>0</b>	<b>-</b>
<b>Operating income</b>	<b>555</b>	<b>447</b>	<b>24.1%</b>	<b>266</b>	<b>289</b>	<b>(7.8)%</b>
<b>General administrative expenses</b>	<b>(238)</b>	<b>(222)</b>	<b>7.3%</b>	<b>(116)</b>	<b>(122)</b>	<b>(4.8)%</b>
<b>Operating result</b>	<b>317</b>	<b>226</b>	<b>40.6%</b>	<b>150</b>	<b>167</b>	<b>(10.0)%</b>
<b>Net provisioning for impairment losses</b>	<b>15</b>	<b>(4)</b>	<b>-</b>	<b>14</b>	<b>1</b>	<b>&gt;500.0%</b>
<b>Other results</b>	<b>0</b>	<b>(15)</b>	<b>-</b>	<b>10</b>	<b>(10)</b>	<b>-</b>
<b>Profit before tax</b>	<b>332</b>	<b>206</b>	<b>61.4%</b>	<b>175</b>	<b>158</b>	<b>10.9%</b>
<b>Income taxes</b>	<b>(77)</b>	<b>(50)</b>	<b>54.6%</b>	<b>(39)</b>	<b>(38)</b>	<b>4.4%</b>
<b>Profit after tax</b>	<b>255</b>	<b>156</b>	<b>63.5%</b>	<b>135</b>	<b>120</b>	<b>12.9%</b>
<b>Profit attributable to non-controlling interests</b>	<b>6</b>	<b>(1)</b>	<b>-</b>	<b>9</b>	<b>(3)</b>	<b>-</b>
<b>Profit after non-controlling interests</b>	<b>261</b>	<b>155</b>	<b>68.7%</b>	<b>144</b>	<b>117</b>	<b>24.0%</b>
<b>Assets</b>	<b>17,041</b>	<b>13,196</b>	<b>29.1%</b>	<b>17,041</b>	<b>15,195</b>	<b>12.1%</b>
<b>Loans and advances to customers</b>	<b>9,492</b>	<b>8,337</b>	<b>13.9%</b>	<b>9,492</b>	<b>9,485</b>	<b>0.1%</b>
hereof corporate %	68.6%	71.1%	(2.5) PP	68.6%	69.6%	(1.0) PP
hereof retail %	31.4%	28.5%	2.9 PP	31.4%	30.4%	1.0 PP
hereof foreign currency %	52.7%	43.5%	9.2 PP	52.7%	46.4%	6.3 PP
<b>Deposits from customers</b>	<b>10,625</b>	<b>8,283</b>	<b>28.3%</b>	<b>10,625</b>	<b>10,064</b>	<b>5.6%</b>
<b>Loan/deposit ratio</b>	<b>89.3%</b>	<b>100.7%</b>	<b>(11.3) PP</b>	<b>89.3%</b>	<b>94.3%</b>	<b>(4.9) PP</b>
<b>Return on equity before tax</b>	<b>37.7%</b>	<b>22.2%</b>	<b>15.5 PP</b>	<b>35.2%</b>	<b>31.7%</b>	<b>3.4 PP</b>
<b>Return on equity after tax</b>	<b>29.0%</b>	<b>16.8%</b>	<b>12.1 PP</b>	<b>27.3%</b>	<b>24.2%</b>	<b>3.1 PP</b>
<b>Cost/income ratio</b>	<b>42.9%</b>	<b>49.7%</b>	<b>(6.8) PP</b>	<b>43.6%</b>	<b>42.2%</b>	<b>1.4 PP</b>
<b>Number of employees as of reporting date</b>	<b>8,015</b>	<b>8,628</b>	<b>(7.1)%</b>	<b>8,015</b>	<b>8,257</b>	<b>(2.9)%</b>
<b>Business outlets</b>	<b>193</b>	<b>190</b>	<b>1.6%</b>	<b>193</b>	<b>192</b>	<b>0.5%</b>
<b>Number of customers</b>	<b>2,283,450</b>	<b>1,950,246</b>	<b>17.1%</b>	<b>2,283,450</b>	<b>2,379,581</b>	<b>(4.0)%</b>

## CIS Other

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	299	329	(9.0)%	154	145	6.7%
<i>General administrative expenses</i>	(182)	(165)	10.1%	(92)	(90)	1.3%
<b><i>Operating result</i></b>	<b>117</b>	<b>164</b>	<b>(28.4)%</b>	<b>63</b>	<b>54</b>	<b>15.7%</b>
<i>Net provisioning for impairment losses</i>	(50)	(71)	(29.5)%	(27)	(24)	13.4%
<i>Other results</i>	(12)	4	-	(6)	(6)	(3.6)%
<b>Profit before tax</b>	<b>55</b>	<b>97</b>	<b>(43.5)%</b>	<b>30</b>	<b>25</b>	<b>22.8%</b>
Assets	6,518	6,523	(0.1)%	6,518	6,415	1.6%
Net interest margin	6.42%	5.93%	0.49 PP	6.45%	6.46%	(0.01) PP
<b>Return on equity before tax</b>	<b>13.9%</b>	<b>26.7%</b>	<b>(12.8) PP</b>	<b>15.3%</b>	<b>12.6%</b>	<b>2.8 PP</b>

In the first half of 2012, profit before tax in the CIS Other segment declined by 44 per cent year-on-year to € 55 million. This decrease was attributable to lower trading income in Belarus and valuation losses on the portfolio of government bonds in Ukraine. Financial reporting had to be restated in Belarus due to the unstable currency situation in the country and the resulting introduction of hyperinflation accounting in the fourth quarter of 2011. This restatement led to an adverse impact on profit totaling € 7 million in the first half of 2012. The segment's return on equity before tax fell by 12.8 percentage points to 13.9 per cent.

### Operating income

Net interest income for the segment rose by 4 per cent or € 8 million year-on-year to € 211 million. Net interest income in Ukraine increased by 12 per cent, primarily driven by higher income from customer loans due to higher margins on the asset side, by nearly unchanged interest expenses for refinancing and by the appreciation of the hryvnia. By contrast, net interest income in Belarus decreased year-on-year as a result of currency developments coupled with the increased proportion of net interest income in local currency and a decline in loan volume. Total assets in the segment remained almost unchanged year-on-year at € 6.5 billion. The segment's net interest margin was up 49 basis points to 6.42 per cent due to higher net interest income. Credit risk-weighted assets remained unchanged year-on-year at € 5.3 billion.

The segment's net fee and commission income increased by 14 per cent year-on-year to € 97 million, with the considerably higher income from payment transfer business again making the largest contribution (€ 70 million in total). The improvement in income achieved in Ukraine was attributable to the higher number of transactions with retail and corporate customers. Net income from the Ukrainian Processing Center (UPC) rose in the first half of the year by 38 per cent to € 5 million. Net income from foreign currency, notes/coins and precious-metals business in Belarus increased by 24 per cent to € 20 million compared to the same period last year due to an adjustment of prices for these financial services.

Net trading income in the region declined year-on-year from € 44 million to minus € 6 million. Net income from currency-based transactions fell to minus € 7 million. The application of hyperinflation accounting in Belarus had an adverse effect on income totaling € 8 million. A valuation loss on a strategic currency position taken in the reporting period to hedge equity amounted to € 1 million, compared to a gain of € 16 million in the comparable period last year. In addition, income from interest-based transactions declined year-on-year by € 3 million to less than € 1 million. This decrease was caused by lower income in Ukraine from the valuation of fixed-income securities and bonds.

The segment's other net operating income, which is comprised of a number of smaller income and expense items, remained unchanged at € 2 million compared to the prior year period.

#### ***General administrative expenses***

General administrative expenses rose year-on-year by 10 per cent to € 182 million. Despite the reduced number of staff in the segment overall, staff expenses increased as a result of salary increases in Ukraine. There was also an increase in depreciation, mainly due to IT investments in a new core banking system in Ukraine and the write-off of the simultaneously decommissioned systems. In addition, the write-up of tangible fixed assets in Belarus also led to an increase in depreciation. As a result of the decline in operating income together with the overall rise in general administrative expenses, the cost/income ratio rose by 10.6 percentage points to 60.8 per cent.

#### ***Net provisioning for impairment losses***

Net provisioning for impairment losses in the region declined year-on-year by 30 per cent to € 50 million. The € 11 million decline in net allocations to individual loan loss provisions was caused primarily by an improvement in the portfolio quality with private individuals in Ukraine. As in the first half of 2011, there was a net release of portfolio-based loan loss provisions. But this release, at € 14 million, was € 10 million higher than in the comparable period, when the difficult economic situation in Belarus made it necessary to record high new allocations to portfolio-based loan loss provisions. The ratio of non-performing loans in the total loan portfolio stood at 31.3 per cent (up 3.8 percentage points year-on-year) and thus continued to be the highest of all segments – even though there were substantial regional differences (Belarus: 1.8 per cent, Ukraine: 37.2 per cent).

#### ***Other results and taxes***

Other results fell by € 16 million year-on-year from plus € 4 million to minus € 12 million, due mainly to a decline in net income from the valuation of financial investments from plus € 4 million to minus € 12 million. This drop occurred because spreads widened during the reporting period, resulting in valuation losses on the portfolio of fixed-income Ukrainian government bonds recognized at fair value.

Income taxes for the segment declined to € 18 million due to the lower corporate tax rate in Belarus and Ukraine. In contrast, the tax rate rose by 8 percentage points to 34 per cent, primarily due to the establishment of deferred tax assets on the differences in income between IFRS and the tax accounts. Profit after non-controlling interests fell by 47 per cent to € 34 million.

Below please find the detailed results of the individual countries in the segment, whereby Kazakhstan is not listed separately as it is of minor significance with regard to total volumes:

**Belarus**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	<b>33</b>	<b>42</b>	<b>(21.8)%</b>	<b>18</b>	<b>15</b>	<b>15.5%</b>
<b>Net fee and commission income</b>	<b>28</b>	<b>25</b>	<b>13.9%</b>	<b>16</b>	<b>12</b>	<b>25.6%</b>
<b>Net trading income</b>	<b>(8)</b>	<b>41</b>	<b>-</b>	<b>(3)</b>	<b>(5)</b>	<b>(45.2)%</b>
<b>Other net operating income</b>	<b>(1)</b>	<b>0</b>	<b>264.3%</b>	<b>0</b>	<b>0</b>	<b>82.0%</b>
<b>Operating income</b>	<b>52</b>	<b>107</b>	<b>(51.5)%</b>	<b>30</b>	<b>22</b>	<b>34.8%</b>
General administrative expenses	(31)	(29)	5.6%	(17)	(14)	20.3%
<b>Operating result</b>	<b>21</b>	<b>78</b>	<b>(73.2)%</b>	<b>13</b>	<b>8</b>	<b>60.3%</b>
Net provisioning for impairment losses	(1)	(9)	(89.4)%	0	(1)	-
Other results	0	0	-	0	0	(92.0)%
<b>Profit before tax</b>	<b>20</b>	<b>69</b>	<b>(71.0)%</b>	<b>13</b>	<b>7</b>	<b>82.4%</b>
Income taxes	(8)	(15)	(43.9)%	(5)	(3)	60.0%
<b>Profit after tax</b>	<b>12</b>	<b>54</b>	<b>(78.4)%</b>	<b>8</b>	<b>4</b>	<b>100.4%</b>
Profit attributable to non-controlling interests	(2)	(7)	(73.7)%	(1)	(1)	10.6%
<b>Profit after non-controlling interests</b>	<b>10</b>	<b>47</b>	<b>(79.1)%</b>	<b>7</b>	<b>3</b>	<b>126.4%</b>
Assets	1,314	1,282	2.5%	1,314	1,214	8.2%
Loans and advances to customers	795	911	(12.8)%	795	767	3.6%
hereof corporate %	74.1%	63.9%	10.2 PP	74.1%	73.8%	0.3 PP
hereof retail %	25.9%	36.1%	(10.2) PP	25.9%	26.2%	(0.3) PP
hereof foreign currency %	74.4%	59.0%	15.4 PP	74.4%	66.5%	7.8 PP
Deposits from customers	799	746	7.1%	799	718	11.3%
Loan/deposit ratio	99.4%	122.1%	(22.6) PP	99.4%	106.8%	(7.4) PP
Return on equity before tax	22.5%	83.7%	(61.2) PP	28.9%	16.5%	12.4 PP
Return on equity after tax	13.2%	65.9%	(52.7) PP	17.6%	9.1%	8.4 PP
Cost/income ratio	59.9%	27.5%	32.4 PP	57.0%	63.8%	(6.9) PP
Number of employees as of reporting date	2,192	2,220	(1.3)%	2,192	2,198	(0.3)%
Business outlets	100	99	1.0%	100	98	2.0%
Number of customers	684,727	808,277	(15.3)%	684,727	683,134	0.2%

**Ukraine**

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<b>Net interest income</b>	177	158	11.5%	88	89	(1.6)%
<b>Net fee and commission income</b>	68	60	13.9%	36	32	10.9%
<b>Net trading income</b>	2	5	(62.5)%	1	1	11.1%
<b>Other net operating income</b>	(1)	(2)	(44.6)%	(1)	0	-
<b>Operating income</b>	<b>246</b>	<b>221</b>	<b>11.1%</b>	<b>123</b>	<b>123</b>	<b>0.5%</b>
General administrative expenses	(151)	(136)	11.1%	(74)	(76)	(2.3)%
<b>Operating result</b>	<b>95</b>	<b>85</b>	<b>11.2%</b>	<b>49</b>	<b>46</b>	<b>5.1%</b>
Net provisioning for impairment losses	(49)	(62)	(21.4)%	(26)	(22)	18.2%
Other results	(12)	4	-	(6)	(6)	(4.5)%
<b>Profit before tax</b>	<b>34</b>	<b>27</b>	<b>23.4%</b>	<b>16</b>	<b>18</b>	<b>(8.2)%</b>
Income taxes	(10)	(10)	(3.6)%	(5)	(5)	4.4%
<b>Profit after tax</b>	<b>24</b>	<b>17</b>	<b>40.1%</b>	<b>11</b>	<b>13</b>	<b>(13.1)%</b>
Profit attributable to non-controlling interests	0	2	-	0	0	-
<b>Profit after non-controlling interests</b>	<b>24</b>	<b>19</b>	<b>22.6%</b>	<b>11</b>	<b>13</b>	<b>(11.0)%</b>
Assets	5,148	5,168	(0.4)%	5,148	5,131	0.3%
Loans and advances to customers	4,121	3,845	7.2%	4,121	4,032	2.2%
hereof corporate %	51.0%	47.5%	3.5 PP	51.0%	52.6%	(1.6) PP
hereof retail %	49.0%	52.5%	(3.5) PP	49.0%	47.4%	1.6 PP
hereof foreign currency %	54.4%	62.5%	(8.1) PP	54.4%	59.9%	(5.4) PP
Deposits from customers	2,684	2,519	6.6%	2,684	2,569	4.5%
Loan/deposit ratio	153.5%	152.6%	0.9 PP	153.5%	157.0%	(3.5) PP
Return on equity before tax	11.7%	7.2%	4.5 PP	11.1%	8.6%	2.5 PP
Return on equity after tax	8.2%	4.5%	3.8 PP	7.6%	6.2%	1.4 PP
Cost/income ratio	61.3%	61.3%	0.0 PP	60.5%	62.2%	(1.7) PP
Number of employees as of reporting date	14,874	15,467	(3.8)%	14,874	14,971	(0.6)%
Business outlets	825	922	(10.5)%	825	828	(0.4)%
Number of customers	3,126,885	3,389,355	(7.7)%	3,126,885	3,361,826	(7.0)%

## Group Corporates

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	315	292	8.2%	156	159	(1.8)%
<i>General administrative expenses</i>	(82)	(71)	15.1%	(46)	(35)	30.8%
<b><i>Operating result</i></b>	<b>234</b>	<b>221</b>	<b>6.0%</b>	<b>110</b>	<b>124</b>	<b>(11.1)%</b>
<i>Net provisioning for impairment losses</i>	(21)	(19)	11.1%	(21)	(1)	>500.0%
<i>Other results</i>	1	0	-	(1)	2	-
<b>Profit before tax</b>	<b>214</b>	<b>201</b>	<b>6.3%</b>	<b>89</b>	<b>125</b>	<b>(29.0)%</b>
Assets	20,817	20,689	0.6%	20,817	21,980	(5.3)%
Net interest margin	1.96%	1.84%	0.12 PP	1.99%	1.93%	0.06 PP
<b>Return on equity before tax</b>	<b>24.0%</b>	<b>23.3%</b>	<b>0.8 PP</b>	<b>19.2%</b>	<b>26.2%</b>	<b>(7.0) PP</b>

Profit before tax for this segment rose by 6 per cent to € 214 million in the first half of 2012 compared with the same period in the previous year. This was attributable to higher operating income resulting from the rise in net interest income and higher net trading income. Return on equity before tax improved by 0.8 percentage points to 24.0 per cent.

### Operating income

Net interest income for the segment rose by 8 per cent or € 15 million to € 214 million, as the business performed well during the first half of the year. At Group head office, a slight decline in net interest income due to lower business volumes was offset by an improvement in the margins on assets. By expanding their business activities, Asian business outlets likewise increased their contribution to net interest income by € 12 million to € 57 million. Net interest income at the Maltese subsidiary was up 38 per cent to € 15 million thanks to improved margins. In total, the net interest margin in the Group Corporates segment increased by 12 basis points to 1.96 per cent. Total assets rose year-on-year by 1 per cent or € 0.1 billion to € 20.8 billion. At the same time, credit risk-weighted assets declined by 24 per cent to € 11.7 billion.

Net fee and commission income decreased year-on-year by 4 per cent or € 3 million to € 82 million. However, income generated at Group head office increased, mostly related to lead arranger activities for bond issues by Austrian and international customers. The income from project financing business and commission income with East European customers in cash management and export financing (e.g., guarantees, letters of credit, tied financial credits) increased. In contrast, net fee and commission income at the Maltese subsidiary and in the Group unit in the USA declined by € 3 million to € 9 million.

Net trading income tripled to € 15 million. This rise was caused by higher valuation gains on currency and interest-based financial instruments in the profit centers at Group head office. In addition, the segment's net trading income rose because of a valuation gain in the branch in Malaysia.

#### **General administrative expenses**

The segment's general administrative expenses increased year-on-year by € 11 million to € 82 million primarily due to increases in several smaller expense items at Group head office. This segment consisted of eight business outlets at the end of the reporting period. The cost/income ratio increased by 1.5 percentage points to 25.9 per cent.

#### **Net provisioning for impairment losses**

Net provisioning for impairment losses rose by 11 per cent or € 2 million to € 21 million. The main reason for this increase was higher net allocations to individual loan loss provisions for loans to corporate customers in China. The share of non-performing loans in the loan portfolio decreased by 19 basis points to 4.1 per cent (a relatively low level when compared with other segments) as of the end of the reporting period.

#### **Other results and taxes**

The segment's other results fell year-on-year by € 2 million to € 1 million. This item consists largely of net income from mark-to-market valuations of corporate bonds held at Group head office and from various securities held by the Maltese subsidiary.

Income taxes increased by 14 per cent to € 49 million compared to the same period last year, while the tax rate rose by 1 percentage point to 23 per cent. Profit after non-controlling interests climbed by 4 per cent to € 164 million.

## Group Markets

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	187	281	(33.4)%	87	100	(13.6)%
<i>General administrative expenses</i>	(127)	(127)	0.7%	(70)	(57)	22.2%
<b><i>Operating result</i></b>	<b>60</b>	<b>154</b>	<b>(61.3)%</b>	<b>17</b>	<b>43</b>	<b>(61.4)%</b>
<i>Net provisioning for impairment losses</i>	(19)	(9)	112.2%	(24)	5	-
<i>Other results</i>	154	46	231.5%	16	138	(88.2)%
<b><i>Profit before tax</i></b>	<b>194</b>	<b>191</b>	<b>1.5%</b>	<b>9</b>	<b>185</b>	<b>(95.1)%</b>
Assets	21,840	24,578	(11.1)%	21,840	29,681	(26.4)%
<i>Net interest margin</i>	0.66%	0.80%	(0.14) PP	0.61%	0.67%	(0.06) PP
<b><i>Return on equity before tax</i></b>	<b>29.3%</b>	<b>27.3%</b>	<b>2.0 PP</b>	<b>16.6%</b>	<b>44.7%</b>	<b>(28.1) PP</b>

Profit before tax in the Group Markets segment rose by 2 per cent to € 194 million compared to the same period last year. This increase resulted mainly from higher net income from financial investments. The return on equity before tax rose by 2.0 percentage points to 29.3 per cent.

### Operating income

Net interest income for the segment fell by 22 per cent to € 85 million compared to the same period last year. The main reason for this decline was the maturity and sale of portions of the so-called high-quality securities portfolio. Consequently, its income declined year-on-year by € 34 million to € 12 million. Other factors contributing to the decline in net interest income included lower total business volume in highly liquid bonds from financial institutions, the continued reduction in various risk positions, a selective approach to choosing transactions and a restriction on market risk trading limits. Total assets in the segment declined year-on-year by 11 per cent to € 21.8 billion. The segment's net interest margin fell 14 basis points to 0.66 per cent due to a reduction in the high-quality securities portfolio and a significant increase in the business volume in repo transactions at Group head office. Credit risk-weighted assets decreased by 38 per cent to € 3.8 billion.

The segment's net fee and commission income fell by 25 per cent year-on-year to € 49 million, with the Financial Institutions profit center posting an increase primarily generated by higher income from service contracts in cash management and guarantees. Fee and commission income from the Capital Markets profit center decreased as a result of lower business volumes. The Private Banking and Asset Management division of the subsidiary Kathrein Privatbank AG in Vienna made a stable contribution of € 6 million from its securities business. By contrast, net fee and commission income of Raiffeisen Centrobank Group declined to € 3 million due to lower income from advisory services provided to corporate customers for primary market transactions.

The segment's net trading income declined by half in the first half-year of 2012 to € 45 million. Raiffeisen Centrobank contributed a substantial € 26 million to this total, although the amount was down 7 per cent. This contribution consisted primarily of a positive valuation result on certificates issued within the scope of equity and index-linked transactions and structured bonds. Group head office's

contribution from proprietary trading, mainly in fixed income securities but also in structured products, was significantly lower than in the comparable period last year due to a reduction in risk positions. The valuation of capital guarantees issued resulted in a net loss of € 9 million, following a gain of € 11 million in the same period last year.

Other net operating income fell by half to € 7 million compared to the previous year. This includes a reduction in income from Raiffeisen Centrobank Group by 25 per cent to € 6 million related to turbulences in commodities markets, which came mainly from commodity trading of special purpose vehicles in the USA and Germany. The results in the comparable period last year still included € 6 million in income from F.J. Elsner Trading GmbH, which has in the meantime been reclassified to the Corporate Center.

#### **General administrative expenses**

General administrative expenses of the Group Markets segment remained unchanged year-on-year at € 127 million. The decline in operating income led to an increase in the cost/income ratio by 23.0 percentage points to 68.1 per cent.

#### **Net provisioning for impairment losses**

Net provisioning for loan loss provisions rose by € 9 million to € 19 million compared to the same period last year, primarily due to a net allocation to an individual loan loss provision at Group head office. Non-performing loans made up 0.72 per cent of the segment's total credit exposure.

#### **Other results and taxes**

The segment's other results rose year-on-year from € 46 million to € 154 million. In particular, net income from financial investments increased significantly due to the sale of portions of the Group head office's so-called high-quality securities portfolio. In contrast, net income from derivatives at Group head office was lower than in the previous year, attributable to close-out payments in connection with the sale of portions of the securities portfolio. The hedging relationships established at Group head office between the profit centers Capital Markets and Treasury, which were initiated to hedge the interest rate structure and to manage the interest rate risk of the securities portfolio, resulted in expenses of € 57 million in this segment. The corresponding gain was recorded in the Corporate Center segment.

Income taxes climbed to € 58 million in the segment. The tax rate was 30 per cent and thus up 5 percentage points year-on-year. Profit after non-controlling interests fell by 5 per cent to € 136 million.

## Corporate Center

In € million	1/1-30/6 2012	1/1-30/6 2011	Change	Q2/2012	Q1/2012	Change
<i>Operating income</i>	460	327	40.6%	360	100	261.0%
<i>General administrative expenses</i>	(152)	(136)	12.1%	(72)	(80)	(10.8)%
<b><i>Operating result</i></b>	<b>308</b>	<b>192</b>	<b>60.8%</b>	<b>289</b>	<b>19</b>	<b>&gt;500.0%</b>
<i>Net provisioning for impairment losses</i>	3	0	-	1	2	(21.8)%
<i>Other results</i>	20	10	96.9%	(87)	107	-
<b>Profit before tax</b>	<b>331</b>	<b>201</b>	<b>64.2%</b>	<b>203</b>	<b>128</b>	<b>58.4%</b>
Assets	61,487	45,956	33.8%	61,487	52,161	17.9%
Net interest margin	1.65%	1.58%	0.07 PP	2.59%	0.71%	1.89 PP
<b>Return on equity before tax</b>	<b>32.4%</b>	<b>21.4%</b>	<b>0.5 PP</b>	<b>37.1%</b>	<b>22.0%</b>	<b>15.1 PP</b>

Profit before tax in the Corporate Center segment rose by 64 per cent to € 331 million due to higher operating income year-on-year. The return on equity before tax was 32.4 per cent.

### Operating income

The segment's net interest income gained 45 per cent compared to the same period last year, reaching € 462 million. On the one hand, net interest income rose because a higher internal financing rate was used to charge Group units for liquidity costs, whereas on the other hand intra-group dividend income decreased by 47 per cent to € 177 million. Income from internal financing within the RBI network also declined year-on-year. Lower expenses for own issues from the Treasury profit center at Group head office and RBI's optimized liquidity provision led to an improvement in net interest income. The € 19 million in interest expense for RBI AG's subordinated capital is also reported in this segment. The segment's assets increased by 34 per cent year-on-year to € 61.5 billion, particularly as a result of a pick-up in liquidity reserves and an organizational shift of a portion of the business volume from Group Markets to the Corporate Center segment. By contrast, credit risk-weighted assets rose by only 20 per cent to € 19.1 billion, which was predominately attributable to a lower risk weighting in the expansion of business volume.

Net fee and commission income improved from minus € 21 million to minus € 19 million compared to the same period last year. This improvement was especially attributable to lower commission payments by Group head office for country risk insurance policies in connection with financing abroad.

The segment's net trading income turned from plus € 15 million to minus € 8 million. This decline is the result of valuation losses on various foreign currency and interest-related financial instruments that are held for steering purposes.

The segment's other net operating income amounted to € 24 million, compared with € 15 million in the comparable period last year. The main reasons for this increase were slightly higher internal charges by Group head office to various Group units and the € 5 million in income from the commodi-

ty trading of F.J. Elsner Trading GmbH. This improvement occurred despite the negative impact on net operating income from the special bank levy in Austria, which at € 51 million in the current period was higher than in the same period last year.

#### **General administrative expenses**

General administrative expenses rose by 12 per cent or € 16 million to € 152 million, which was primarily attributable to a reduction in the expense allocation to other functional segments. The only business outlet recognized in this segment is the Group head office.

#### **Net provisioning for impairment losses**

Net provisioning for impairment losses generally plays a minor role due to the intra-Group nature of the segment's business activities. However, there was a net release totaling € 3 million of impairment loss provisions established in connection with several customers of the Special Customers profit center at Group head office in previous periods.

#### **Other results and taxes**

Other results rose year-on-year from € 10 million to € 20 million. Net income from derivatives improved thanks to income totaling € 57 million from interest rate hedging transactions concluded with the Capital Markets profit center (Group Markets segment) and also due to a net gain of € 113 million from the buyback of a portion of the hybrid capital. However, net income was adversely impacted by the valuation of own issues with minus € 58 million and by the valuation of other derivatives. Net income from financial investments included in this figure turned from a loss of € 13 million to a profit of € 12 million, largely due to securities valuations.

The tax income in this segment amounted to € 71 million, following € 25 million in the same period last year. This increase was primarily attributable to the segment's lower reported dividend income, which is not included in the tax base. Moreover, the improvement was also based on lower deferred tax expense on net valuation results, which was primarily realized in relation to liabilities measured at fair value. Profit after non-controlling interests rose by 80 per cent to € 401 million.



# Interim consolidated financial statements

*(Interim report as of 30 June 2012)*

## Statement of comprehensive income

### Income statement

In € million	Notes	1/1-30/6/2012	1/1-30/6/2011	Change
Interest income		3,305	3,169	4.3%
Interest expenses		(1,588)	(1,388)	14.4%
<b>Net interest income</b>	[2]	<b>1,716</b>	<b>1,781</b>	<b>(3.6)%</b>
Net provisioning for impairment losses	[3]	(400)	(405)	(1.3)%
<b>Net interest income after provisioning</b>		<b>1,317</b>	<b>1,376</b>	<b>(4.3)%</b>
Fee and commission income		890	877	1.5%
Fee and commission expense		(170)	(140)	21.0%
<b>Net fee and commission income</b>	[4]	<b>721</b>	<b>737</b>	<b>(2.2)%</b>
Net trading income	[5]	212	256	(17.2)%
Income from derivatives and liabilities	[6]	(20)	41	-
Net income from financial investments	[7]	253	12	>500.0%
General administrative expenses	[8]	(1,518)	(1,514)	0.2%
Other net operating income	[9]	(36)	(27)	34.9%
Net income from disposal of group assets		(2)	(3)	(38.9)%
<b>Profit before tax</b>		<b>927</b>	<b>879</b>	<b>5.6%</b>
Income taxes	[10]	(194)	(201)	(3.6)%
<b>Profit after tax</b>		<b>734</b>	<b>677</b>	<b>8.3%</b>
Profit attributable to non-controlling interests		(33)	(62)	(47.5)%
<b>Consolidated profit</b>		<b>701</b>	<b>615</b>	<b>13.9%</b>

## Transition to total comprehensive income

In € million	<b>Total</b>		<b>Group equity</b>		<b>Non-controlling interests</b>	
	<b>1/1-30/6 2012</b>	<b>1/1-30/6 2011</b>	<b>1/1-30/6 2012</b>	<b>1/1-30/6 2011</b>	<b>1/1-30/6 2012</b>	<b>1/1-30/6 2011</b>
<b>Consolidated profit</b>	<b>734</b>	<b>677</b>	<b>701</b>	<b>615</b>	<b>33</b>	<b>62</b>
Exchange differences	103	(112)	86	(113)	17	1
hereof unrealized net gains (losses) of the period	103	(113)	86	(113)	17	0
Capital hedge	(1)	8	(1)	8	0	0
Hyperinflation	18	0	16	0	2	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(1)	(47)	(1)	(47)	0	0
hereof unrealized net gains (losses) of the period	(1)	(47)	(1)	(47)	0	0
Net gains (losses) on financial assets available-for-sale	(138)	(2)	(138)	(2)	0	0
hereof unrealized net gains (losses) of the period	52	3	52	3	0	0
hereof net gains (losses) reclassified to income statement	(191)	(5)	(191)	(5)	0	0
Deferred taxes on income and expenses directly recognized in equity	34	11	34	11	0	0
hereof unrealized net gains (losses) of the period	(14)	0	(14)	0	0	0
hereof net gains (losses) reclassified to income statement	48	0	48	0	0	0
<b>Other comprehensive income</b>	<b>15</b>	<b>(142)</b>	<b>(4)</b>	<b>(143)</b>	<b>19</b>	<b>1</b>
<b>Total comprehensive income</b>	<b>749</b>	<b>536</b>	<b>697</b>	<b>472</b>	<b>52</b>	<b>63</b>

## Earnings per share

In €	<b>1/1-30/6/2012</b>	<b>1/1-30/6/2011</b>	<b>Change</b>
Earnings per share	3.09	2.65	0.44

Earnings per share are obtained by dividing consolidated profit less compensation for participation capital by the average number of ordinary shares outstanding. As of 30 June 2012, the number of ordinary shares outstanding was 194.8 million (30 June 2011: 194.5 million).

There were no conversion rights or options outstanding, so undiluted earnings per share are equal to diluted earnings per share.

## Quarterly results

In € million	Q3/2011	Q4/2011	Q1/2012	Q2/2012
Net interest income	943	943	875	841
Net provisioning for impairment losses	(377)	(282)	(153)	(247)
<b>Net interest income after provisioning</b>	<b>566</b>	<b>661</b>	<b>722</b>	<b>594</b>
Net fee and commission income	388	365	346	375
Net trading income	37	70	82	130
Income from derivatives and liabilities	108	264	35	(55)
Net income from financial investments	(158)	5	261	(8)
General administrative expenses	(772)	(834)	(753)	(764)
Other net operating income	(15)	(190)	(8)	(28)
Net income from disposal of group assets	0	0	0	(2)
<b>Profit before tax</b>	<b>153</b>	<b>342</b>	<b>685</b>	<b>243</b>
Income taxes	(71)	(127)	(111)	(83)
<b>Profit after tax</b>	<b>82</b>	<b>214</b>	<b>574</b>	<b>160</b>
Profit attributable to non-controlling interests	48	8	(33)	0
<b>Consolidated profit</b>	<b>130</b>	<b>222</b>	<b>541</b>	<b>160</b>

In € million	Q3/2010	Q4/2010	Q1/2011	Q2/2011
Net interest income	927	871	884	897
Net provisioning for impairment losses	(306)	(281)	(208)	(197)
<b>Net interest income after provisioning</b>	<b>621</b>	<b>590</b>	<b>676</b>	<b>700</b>
Net fee and commission income	373	403	357	380
Net trading income	66	70	123	133
Income from derivatives and liabilities	5	43	3	38
Net income from financial investments	84	1	25	(13)
General administrative expenses	(728)	(827)	(753)	(761)
Other net operating income	(3)	11	(24)	(3)
Net income from disposal of group assets	0	0	(2)	0
<b>Profit before tax</b>	<b>418</b>	<b>290</b>	<b>405</b>	<b>473</b>
Income taxes	(80)	34	(100)	(101)
<b>Profit after tax</b>	<b>337</b>	<b>324</b>	<b>305</b>	<b>372</b>
Profit attributable to non-controlling interests	(26)	(20)	(35)	(27)
<b>Consolidated profit</b>	<b>311</b>	<b>304</b>	<b>270</b>	<b>345</b>

## Statement of financial position

<b>Assets</b> In € million	<b>Notes</b>	<b>30/6/2012</b>	<b>31/12/2011</b>	<b>Change</b>
Cash reserve		15,393	11,402	35.0%
Loans and advances to banks	[12, 33]	25,701	25,748	(0.2)%
Loans and advances to customers	[13, 33]	84,887	81,576	4.1%
Impairment losses on loans and advances	[14]	(5,625)	(5,053)	11.3%
Trading assets	[15, 33]	11,244	10,617	5.9%
Derivatives	[16, 33]	1,230	1,405	(12.4)%
Financial investments	[17, 33]	14,918	16,535	(9.8)%
Investments in associates	[33]	5	5	(2.4)%
Intangible fixed assets	[18]	1,318	1,066	23.7%
Tangible fixed assets	[19]	1,608	1,511	6.4%
Other assets	[20, 33]	2,040	2,174	(6.2)%
<b>Total assets</b>		<b>152,717</b>	<b>146,985</b>	<b>3.9%</b>

<b>Equity and liabilities</b> In € million	<b>Notes</b>	<b>30/6/2012</b>	<b>31/12/2011</b>	<b>Change</b>
Deposits from banks	[21, 33]	40,344	37,992	6.2%
Deposits from customers	[22, 33]	72,011	66,747	7.9%
Debt securities issued	[23, 33]	12,456	14,367	(13.3)%
Provisions for liabilities and charges	[24, 33]	699	771	(9.3)%
Trading liabilities	[25, 33]	10,750	9,715	10.7%
Derivatives	[26, 33]	546	792	(31.0)%
Other liabilities	[27, 33]	1,273	1,515	(16.0)%
Subordinated capital	[28]	3,788	4,151	(8.7)%
Equity	[29]	10,850	10,936	(0.8)%
Consolidated equity		9,280	8,825	5.2%
Consolidated profit		701	968	(27.6)%
Non-controlling interests		869	1,143	(24.0)%
<b>Total equity and liabilities</b>		<b>152,717</b>	<b>146,985</b>	<b>3.9%</b>

## Statement of changes in equity

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
<b>Equity as of 1/1/2012</b>	<b>593</b>	<b>2,500</b>	<b>2,571</b>	<b>3,161</b>	<b>968</b>	<b>1,143</b>	<b>10,936</b>
Capital increases	0	0	0	0	0	19	19
Transferred to retained earnings	0	0	0	563	(563)	0	0
Dividend payments	0	0	0	0	(405)	(50)	(455)
Total comprehensive income	0	0	0	(4)	701	52	749
Own shares/share incentive program	1	0	6	0	0	0	7
Other changes	0	0	0	(110)	0	(295)	(405)
<b>Equity as of 30/6/2012</b>	<b>595</b>	<b>2,500</b>	<b>2,576</b>	<b>3,610</b>	<b>701</b>	<b>869</b>	<b>10,850</b>

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
<b>Equity as of 1/1/2011</b>	<b>593</b>	<b>2,500</b>	<b>2,568</b>	<b>2,590</b>	<b>1,087</b>	<b>1,066</b>	<b>10,404</b>
Capital increases	0	0	0	0	0	24	24
Transferred to retained earnings	0	0	0	683	(683)	0	0
Dividend payments	0	0	0	0	(404)	(55)	(459)
Total comprehensive income	0	0	0	(143)	615	63	536
Own shares/share incentive program	0	0	2	0	0	0	3
Other changes	0	0	0	(21)	0	(3)	(24)
<b>Equity as of 30/6/2011</b>	<b>593</b>	<b>2,500</b>	<b>2,570</b>	<b>3,109</b>	<b>615</b>	<b>1,095</b>	<b>10,483</b>

## Statement of cash flows

In € million	1/1-30/6/2012	1/1-30/6/2011
<b>Cash and cash equivalents at the end of previous period</b>	<b>11,402</b>	<b>4,807</b>
Net cash from operating activities	4,332	(375)
Net cash from investing activities	352	236
Net cash from financing activities	(664)	(338)
Effect of exchange rate changes	(28)	(86)
<b>Cash and cash equivalents at the end of period</b>	<b>15,393</b>	<b>4,244</b>

## Segment reporting

Internal management reporting at RBI is based on the current organizational structure. This is formed in a matrix structure, i.e. members of the Management Board are responsible both for individual countries and specific business activities (country and functional responsibility model). Within the Group, a cash-generating unit is either a country or a business activity. The RBI management bodies – the Management Board and Supervisory Board – make key decisions that determine the resources allocated to each segment in accordance with its financial strength and profitability. Consequently, the reporting criteria are an essential component in the decision-making process. The segments are also defined in accordance with IFRS 8. The reconciliation implies mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments.

The Group comprises the following segments:

- Central Europe
- Southeastern Europe
- Russia
- CIS Other
- Group Corporates
- Group Markets
- Corporate Center

<b>1/1-30/6/2012</b> In € million	<b>Central Europe</b>	<b>Southeastern Europe</b>	<b>Russia</b>	<b>CIS Other</b>	<b>Group Corporates</b>
Net interest income	508	451	362	211	214
Net fee and commission income	234	152	135	97	82
Net trading income	19	27	56	(6)	15
Other net operating income	(19)	17	2	(2)	4
<b>Operating income</b>	<b>742</b>	<b>647</b>	<b>555</b>	<b>299</b>	<b>315</b>
General administrative expenses	(460)	(342)	(238)	(182)	(82)
<b>Operating result</b>	<b>283</b>	<b>305</b>	<b>317</b>	<b>117</b>	<b>234</b>
Net provisioning for impairment losses	(199)	(128)	15	(50)	(21)
Other results	28	12	0	(12)	1
<b>Profit before tax</b>	<b>111</b>	<b>189</b>	<b>332</b>	<b>55</b>	<b>214</b>
Income taxes	(48)	(24)	(77)	(18)	(49)
<b>Profit after tax</b>	<b>63</b>	<b>165</b>	<b>255</b>	<b>36</b>	<b>164</b>
Profit attributable to non-controlling interests	(15)	(10)	6	(2)	0
<b>Profit after non-controlling interests</b>	<b>48</b>	<b>155</b>	<b>261</b>	<b>34</b>	<b>164</b>
Share of profit before tax	7.8%	13.3%	23.3%	3.8%	15.0%
Risk-weighted assets (credit risk)	22,296	13,306	10,074	5,339	11,679
Total own funds requirement	2,036	1,282	959	522	989
Assets	41,450	22,292	17,041	6,518	20,817
Liabilities	37,696	19,379	14,852	5,422	15,741
Net interest margin	2.72%	3.97%	4.68%	6.42%	1.96%
NPL ratio	11.0%	12.3%	5.7%	31.3%	4.1%
Coverage ratio	61.9%	58.1%	96.3%	67.8%	63.3%
Cost/income ratio	61.9%	52.9%	42.9%	60.8%	25.9%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.86%	1.76%	(0.29)%	1.88%	0.31%
Net provisioning ratio (average loans)	1.46%	1.69%	(0.23)%	2.02%	0.20%
Average equity	2,968	2,090	1,533	788	1,779
<b>Return on equity before tax</b>	<b>7.5%</b>	<b>18.1%</b>	<b>43.4%</b>	<b>13.9%</b>	<b>24.0%</b>
Business outlets	877	1,145	193	926	8

<b>1/1-30/6/2012</b> In € million	<b>Group Markets</b>	<b>Corporate Center</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income	85	462	(577)	1,716
Net fee and commission income	49	(19)	(10)	721
Net trading income	45	(8)	64	212
Other net operating income	7	24	(70)	(36)
<b>Operating income</b>	<b>187</b>	<b>460</b>	<b>(592)</b>	<b>2,613</b>
General administrative expenses	(127)	(152)	65	(1,518)
<b>Operating result</b>	<b>60</b>	<b>308</b>	<b>(527)</b>	<b>1,096</b>
Net provisioning for impairment losses	(19)	3	0	(400)
Other results	154	20	29	232
<b>Profit before tax</b>	<b>194</b>	<b>331</b>	<b>(498)</b>	<b>927</b>
Income taxes	(58)	71	11	(194)
<b>Profit after tax</b>	<b>136</b>	<b>401</b>	<b>(487)</b>	<b>734</b>
Profit attributable to non-controlling interests	0	(1)	(10)	(33)
<b>Profit after non-controlling interests</b>	<b>136</b>	<b>401</b>	<b>(498)</b>	<b>701</b>
Share of profit before tax	13.6%	23.2%	-	100.0%
Risk-weighted assets (credit risk)	3,828	19,099	(16,415)	69,206
Total own funds requirement	421	1,579	(1,034)	6,754
Assets	21,840	61,487	(38,727)	152,717
Liabilities	28,659	41,993	(21,874)	141,867
Net interest margin	0.66%	1.65%	-	2.30%
NPL ratio	4.5%	-	-	9.8%
Coverage ratio	76.8%	-	-	65.8%
Cost/income ratio	68.1%	33.0%	-	58.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.84%	(0.03)%	-	1.10%
Net provisioning ratio (average loans)	0.82%	(0.13)%	-	0.90%
Average equity	1,326	2,043	(1,783)	10,744
<b>Return on equity before tax</b>	<b>29.3%</b>	<b>32.4%</b>	<b>-</b>	<b>17.3%</b>
Business outlets	3	1	-	3,153

<b>1/1-30/6/2011</b> In € million	<b>Central Europe</b>	<b>Southeastern Europe</b>	<b>Russia</b>	<b>CIS Other</b>	<b>Group Corporates</b>
Net interest income	569	455	279	203	199
Net fee and commission income	243	179	109	85	85
Net trading income	26	27	60	44	5
Other net operating income	(17)	17	(1)	(2)	2
<b>Operating income</b>	<b>821</b>	<b>678</b>	<b>447</b>	<b>329</b>	<b>292</b>
General administrative expenses	(470)	(372)	(222)	(165)	(71)
<b>Operating result</b>	<b>351</b>	<b>306</b>	<b>226</b>	<b>164</b>	<b>221</b>
Net provisioning for impairment losses	(177)	(124)	(4)	(71)	(19)
Other results	(11)	6	(15)	4	0
<b>Profit before tax</b>	<b>163</b>	<b>189</b>	<b>206</b>	<b>97</b>	<b>201</b>
Income taxes	(36)	(24)	(50)	(26)	(43)
<b>Profit after tax</b>	<b>127</b>	<b>165</b>	<b>156</b>	<b>71</b>	<b>158</b>
Profit attributable to non-controlling interests	(44)	(12)	(2)	(8)	0
<b>Profit after non-controlling interests</b>	<b>83</b>	<b>152</b>	<b>154</b>	<b>64</b>	<b>158</b>
Share of profit before tax	13.1%	15.1%	16.5%	7.8%	16.1%
Risk-weighted assets (credit risk)	23,736	16,485	9,310	5,330	15,383
Total own funds requirement	2,177	1,551	968	514	1,267
Assets	35,542	22,471	13,196	6,523	20,689
Liabilities	32,652	19,572	11,220	5,629	13,863
Net interest margin	3.29%	4.05%	4.42%	5.93%	1.84%
NPL ratio	8.7%	10.0%	7.2%	27.5%	4.3%
Coverage ratio	58.7%	62.5%	103.5%	72.9%	69.0%
Cost/income ratio	57.3%	54.8%	49.6%	50.3%	24.4%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.52%	1.50%	0.10%	2.58%	0.25%
Net provisioning ratio (average loans)	1.38%	1.66%	0.11%	2.81%	0.20%
Average equity	2,882	2,089	1,245	726	1,729
<b>Return on equity before tax</b>	<b>11.3%</b>	<b>18.1%</b>	<b>33.1%</b>	<b>26.7%</b>	<b>23.3%</b>
Business outlets	556	1,154	190	1,022	8

<b>1/1-30/6/2011</b> In € million	<b>Group Markets</b>	<b>Corporate Center</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income	108	318	(350)	1,781
Net fee and commission income	66	(21)	(9)	737
Net trading income	90	15	(10)	256
Other net operating income	16	15	(57)	(27)
<b>Operating income</b>	<b>281</b>	<b>327</b>	<b>(427)</b>	<b>2,748</b>
General administrative expenses	(127)	(136)	48	(1,514)
<b>Operating result</b>	<b>154</b>	<b>192</b>	<b>(379)</b>	<b>1,233</b>
Net provisioning for impairment losses	(9)	0	0	(405)
Other results	46	10	9	50
<b>Profit before tax</b>	<b>191</b>	<b>201</b>	<b>(370)</b>	<b>879</b>
Income taxes	(48)	25	0	(201)
<b>Profit after tax</b>	<b>144</b>	<b>227</b>	<b>(370)</b>	<b>677</b>
Profit attributable to non-controlling interests	0	(3)	7	(62)
<b>Profit after non-controlling interests</b>	<b>143</b>	<b>223</b>	<b>(363)</b>	<b>615</b>
Share of profit before tax	15.3%	16.1%	–	100.0%
Risk-weighted assets (credit risk)	6,151	15,876	(14,759)	76,502
Total own funds requirement	996	1,355	(1,125)	7,702
Assets	24,578	45,956	(31,399)	137,556
Liabilities	22,802	53,397	(32,063)	127,072
Net interest margin	0.80%	1.58%	–	2.62%
NPL ratio	1.2%	–	–	8.5%
Coverage ratio	87.7%	–	–	68.5%
Cost/income ratio	45.1%	41.4%	–	55.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.34%	0.00%	–	1.09%
Net provisioning ratio (average loans)	0.85%	0.00%	–	1.04%
Average equity	1,403	1,878	(1,676)	10,275
<b>Return on equity before tax</b>	<b>27.3%</b>	<b>21.4%</b>	<b>–</b>	<b>17.1%</b>
Business outlets	4	1	–	2,935

## Notes

### **Recognition and measurement principles**

The shortened interim consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC).

These shortened interim consolidated financial statements as of 30 June 2012 comply with IAS 34. In the interim reporting, the same recognition and measurement principles and consolidation methods were fundamentally applied as those used in preparing the 2011 consolidated financial statements (see 2011 Annual Report, page 150 ff.). Standards and interpretations to be applied in the EU from 1 January 2012 onward were applied in the interim report. The application of these standards had no influence on the shortened interim consolidated financial statements.

There were no significant changes to the recognition and measurement principles compared with the 2011 consolidated financial statements.

In connection with the repurchase of hybrid tier 1 capital, notes position (6) "Net income from derivatives and designated liabilities" in the notes to the income statement has been changed to "Income from derivatives and liabilities". For the purpose of reporting income from the repurchase of hybrid tier 1 capital separately, the notes position has been expanded to include income from the repurchase of liabilities.

RBI's interim report for the first half-year of 2012 did not undergo a complete audit, nor did it undergo an audit inspection carried out by a certified auditor (framework prime market of the Vienna Stock Exchange).

Where estimates or assessments are necessary for the recognition and measurement according to IAS/IFRS, these comply with the respective standards. They are based on historical experience and other factors, such as forecasts and likely expectations or forecasts of future events from today's standard. This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities, and calculations used to determine the recoverability of goodwill and the intangible asset values capitalized in the course of the initial consolidation. The actual values may deviate from the estimated figures.

In addition to the information on risks arising from financial instruments in the individual notes to the financial statements, the risk report section in particular contains detailed information on the issue of credit risk, country risk, concentration risk, market risk and liquidity risk.

## Currencies

Rates in units per €	2012		2011	
	As of 30/6	Average 1/1-30/6	As of 31/12	Average 1/1-30/6
Albanian lek (ALL)	138.170	139.416	138.930	140.640
Belarusian rouble (BYR)	10,470.000	10,705.714	10,800.000	5,040.517
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.518	7.541	7.537	7.402
Czech koruna (CZK)	25.640	25.250	25.787	24.471
Great Britain Pound (GBP)	0.807	0.824	0.835	0.875
Hungarian forint (HUF)	287.770	295.470	314.580	269.386
Kazakh tenge (KZT)	187.900	192.929	191.720	205.347
Lithuanian litas (LTL)	3.453	3.453	3.453	3.453
Moldovan leu (MDL)	15.236	15.401	15.074	16.625
Polish złoty (PLN)	4.249	4.252	4.458	3.965
Romanian leu (RON)	4.451	4.390	4.323	4.185
Russian rouble (RUB)	41.370	40.200	41.765	40.446
Serbian dinar (RSD)	115.820	110.941	104.641	102.285
Singapore dollar (SGD)	1.597	1.644	1.682	1.770
Swedish krona (SEK)	8.773	8.876	8.912	9.087
Swiss franc (CHF)	1.203	1.205	1.216	1.264
Turkish lira (TRY)	2.283	2.343	2.443	2.225
Ukrainian hryvnia (UAH)	9.971	10.371	10.298	11.178
US-Dollar (USD)	1.259	1.302	1.294	1.411

## Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
<b>As of beginning of period</b>	<b>135</b>	<b>132</b>	<b>1</b>	<b>1</b>
Included for the first time in the financial period	13	8	0	0
Excluded in the financial period	(6)	(5)	0	0
<b>As of end of period</b>	<b>142</b>	<b>135</b>	<b>1</b>	<b>1</b>

## Acquisition of Polbank

On 30 April 2012, the formal closing of the acquisition of a 70 per cent stake in Polbank EFG S.A., Warsaw, took place. Polbank was included in the consolidated financial statements for the first time as of 1 May 2012. The provisional cash consideration for the 70 per cent stake amounted to € 460 million. Immediately after the closing, the seller Eurobank EFG exercised the put option for the 30 per cent stake in Polbank and sold it to at least € 175 million to RBI. In addition, a reduction of € 30 million was agreed. Moreover, the capital increase of Polbank amounting to € 201 million – carried out by the seller and taken over by RBI at nominal value – was compensated.

At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised. Therefore, the initial consolidation was based on a preliminary opening balance. The final consideration is depending on audited equity in the closing balance of Polbank or Raiffeisen Bank Polska. Amounts above equity guaranteed in the purchase contract are to be paid 1:1.

Polbank operating in the retail business has a network of 327 branches and 3,065 employees and serves more than 700,000 customers. Total assets amounted at the time of initial consolidation to € 6,191 million, thereof € 4,820 million are accounted for loans and advances to customers (less impairment losses). The customer deposits totaled € 3,528 million; equity amounted to € 645 million.

The following table summarizes the consideration paid for Polbank EFG and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

In € million	<b>30/4/2012</b>
<i>Cash reserve</i>	340
<i>Loans and advances to banks</i>	112
<i>Loans and advances to customers (less impairment losses)</i>	4,820
<i>Financial investments</i>	700
<i>Intangible fixed assets</i>	24
<i>Polbank brand</i>	48
<i>Customer base</i>	17
<i>Tangible fixed assets</i>	35
<i>Other assets</i>	95
<b>Assets</b>	<b>6,191</b>
<i>Deposits from banks</i>	1,959
<i>Deposits from customers</i>	3,528
<i>Provisions for liabilities and charges</i>	13
<i>Other liabilities</i>	46
<b>Total identifiable net assets</b>	<b>645</b>
<i>Non-controlling interests</i>	0
<b>Net assets after non-controlling interests</b>	<b>645</b>
<i>Total consideration transferred<sup>1</sup></i>	806
<b>Goodwill</b>	<b>162</b>
In € million	
<i>Cost of aquisition</i>	806
<i>Liquid funds</i>	340
<b>Cash flow for the acquisition</b>	<b>467</b>

<sup>1</sup> Total consideration transferred is based on a guaranteed equity of Polbank or Raiffeisen Bank Polska. The final total consideration transferred is depending on audited equity in the closing balance of Polbank or Raiffeisen Bank Polska. Amounts above equity guaranteed in the purchase contract are to be paid 1:1.

In the course of the preliminary purchase price allocation in accordance with IFRS 3, the existing customer base of Polbank has been identified as separate intangible fixed assets. The cost of the existing customer base amounted to € 17 million on 1 May 2012; the amortization period has been set with 7 years. Further in the course of the preliminary purchase price allocation, the existing brand of Polbank has been identified as separate intangible fixed assets. The cost of the brand amounted to € 48 million on 1 May 2012.

Goodwill arose from the acquisition of Polbank because the cost of the business combination included a control premium. In addition, the consideration paid effectively included amounts in relation to the benefit of expected synergies, cross selling potential, reduction of general administrative expenses and assets not recognised such as workforce.

The profit after tax of Polbank included in the consolidated income statement from 1 May 2012 to 30 June 2012 was minus € 10 million.

## Notes to the income statement

### (1) Income statement according to measurement categories

The following table shows the income statement according to IAS 39 measurement categories:

In € million	1/1-30/6/2012	1/1-30/6/2011
Net income from financial assets and liabilities held-for-trading	264	253
Net income from financial assets and liabilities at fair value through profit or loss	152	222
Net income from financial assets available-for-sale	165	15
Net income from loans and advances	2,390	2,208
Net income from financial assets held-to-maturity	120	232
Net income from financial liabilities measured at acquisition cost	(1,475)	(1,382)
Net income from derivatives (hedging)	(2)	(3)
Net revaluations from exchange differences	148	140
Other operating income/expenses	(834)	(806)
<b>Total profit before tax from continuing operations</b>	<b>927</b>	<b>879</b>

### (2) Net interest income

In € million	1/1-30/6/2012	1/1-30/6/2011
<b>Interest and interest-like income, total</b>	<b>3,305</b>	<b>3,169</b>
Interest income	3,276	3,141
from balances at central banks	31	29
from loans and advances to banks	194	201
from loans and advances to customers	2,441	2,269
from financial investments	335	390
from leasing claims	111	107
from derivative financial instruments (non-trading), net	163	147
Current income	16	14
Interest-like income	13	14
<b>Current income from associates</b>	<b>0</b>	<b>0</b>
<b>Interest expenses and interest-like expenses, total</b>	<b>(1,588)</b>	<b>(1,388)</b>
Interest expenses	(1,567)	(1,366)
on deposits from central banks	(1)	(6)
on deposits from banks	(424)	(299)
on deposits from customers	(798)	(631)
on debt securities issued	(232)	(331)
on subordinated capital	(111)	(100)
Interest-like expenses	(21)	(22)
<b>Total</b>	<b>1,716</b>	<b>1,781</b>

### (3) Net provisioning for impairment losses

In € million	1/1-30/6/2012	1/1-30/6/2011
<b>Individual loan loss provisions</b>	<b>(496)</b>	<b>(432)</b>
Allocation to provisions for impairment losses	(796)	(697)
Release of provisions for impairment losses	360	282
Direct write-downs	(91)	(43)
Income received on written-down claims	31	27
<b>Portfolio-based loan loss provisions</b>	<b>91</b>	<b>23</b>
Allocation to provisions for impairment losses	(200)	(206)
Release of provisions for impairment losses	291	229
<b>Gains from loan termination or sale</b>	<b>5</b>	<b>4</b>
<b>Total</b>	<b>(400)</b>	<b>(405)</b>

### (4) Net fee and commission income

In € million	1/1-30/6/2012	1/1-30/6/2011
Payment transfer business	314	294
Loan and guarantee business	124	148
Securities business	55	62
Foreign currency, notes/coins, and precious-metals business	170	155
Management of investment and pension funds	9	14
Sale of own and third party products	18	21
Credit derivatives business	0	1
Other banking services	30	43
<b>Total</b>	<b>721</b>	<b>737</b>

### (5) Net trading income

In € million	1/1-30/6/2012	1/1-30/6/2011
Interest-based transactions	114	98
Currency-based transactions	112	134
Equity-/index-based transactions	5	15
Credit derivatives business	(10)	(6)
Other transactions	(10)	15
<b>Total</b>	<b>212</b>	<b>256</b>

The refinancing expenses for trading assets that are included in net trading income amounted to € 36 million (comparable period: € 48 million).

**(6) Income from derivatives and liabilities**

In € million	1/1-30/6/2012	1/1-30/6/2011
Net income from hedge accounting	0	(1)
Net income from credit derivatives	3	(17)
Net income from other derivatives	32	6
Net income from liabilities designated at fair value	(167)	53
Income from repurchase of liabilities	112	0
<b>Total</b>	<b>(20)</b>	<b>41</b>

**(7) Net income from financial investments**

In € million	1/1-30/6/2012	1/1-30/6/2011
<b>Net income from securities held-to-maturity</b>	<b>2</b>	<b>1</b>
Net valuations of securities	2	1
Net proceeds from sales of securities	1	0
<b>Net income from equity participations</b>	<b>9</b>	<b>3</b>
Net valuations of equity participations	(2)	(2)
Net proceeds from sales of equity participations	11	5
<b>Net income from securities at fair value through profit and loss</b>	<b>96</b>	<b>8</b>
Net valuations of securities	51	(3)
Net proceeds from sales of securities	45	11
<b>Net income from available-for-sale securities</b>	<b>146</b>	<b>0</b>
<b>Total</b>	<b>253</b>	<b>12</b>

**(8) General administrative expenses**

In € million	1/1-30/6/2012	1/1-30/6/2011
Staff expenses	(768)	(756)
Other administrative expenses	(572)	(587)
Depreciation of intangible and tangible fixed assets	(178)	(172)
<b>Total</b>	<b>(1,518)</b>	<b>(1,514)</b>

## (9) Other net operating income

In € million	1/1-30/6/2012	1/1-30/6/2011
<i>Net income arising from non-banking activities</i>	24	23
<i>Sales revenues from non-banking activities</i>	393	477
<i>Expenses arising from non-banking activities</i>	(369)	(454)
<i>Net income from additional leasing services</i>	(1)	(1)
<i>Revenues from additional leasing services</i>	37	44
<i>Expenses from additional leasing services</i>	(37)	(44)
<i>Rental income from operating lease (vehicles and equipment)</i>	16	19
<i>Rental income from investment property incl. operating lease (real estate)</i>	11	11
<i>Net proceeds from disposal of tangible and intangible fixed assets</i>	(1)	(2)
<i>Other taxes</i>	(96)	(83)
<i>hereof special bank levies</i>	(80)	(68)
<i>Net expense from allocation and release of other provisions</i>	9	(2)
<i>Sundry operating income</i>	26	27
<i>Sundry operating expenses</i>	(23)	(18)
<b>Total</b>	<b>(36)</b>	<b>(27)</b>

## (10) Income taxes

In € million	1/1-30/6/2012	1/1-30/6/2011
<i>Current income taxes</i>	(155)	(169)
<i>Austria</i>	(10)	(23)
<i>Foreign</i>	(145)	(146)
<i>Deferred taxes</i>	(39)	(32)
<b>Total</b>	<b>(194)</b>	<b>(201)</b>

## Notes to the statement of financial position

### (11) Statement of financial position according to measurement categories

The following table shows the carrying amounts according to IAS 39 measurement categories:

<b>Assets according to measurement categories</b> In € million	<b>30/6/2012</b>	<b>31/12/2011</b>
<i>Trading assets</i>	12,021	11,595
<i>Financial assets at fair value through profit or loss</i>	8,893	7,360
<i>Financial assets available-for-sale</i>	1,385	3,866
<i>Investments in associates</i>	5	5
<i>Loans and advances</i>	122,362	115,807
<i>Financial assets held-to-maturity</i>	4,673	5,348
<i>Derivatives (hedging)</i>	452	426
<i>Other assets</i>	2,926	2,577
<b>Total assets</b>	<b>152,717</b>	<b>146,985</b>

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading assets. The measurement category "financial assets available-for-sale" comprises other affiliated companies and other equity participations. Loans and advances are reported on a net basis after provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

<b>Equity and liabilities according to measurement categories</b> In € million	<b>30/6/2012</b>	<b>31/12/2011</b>
<i>Trading liabilities</i>	11,232	10,464
<i>Financial liabilities</i>	126,729	121,426
<i>Liabilities at fair value through profit and loss</i>	3,143	3,346
<i>Derivatives (hedging)</i>	64	43
<i>Provisions for liabilities and charges</i>	699	771
<i>Equity</i>	10,850	10,936
<b>Total equity and liabilities</b>	<b>152,717</b>	<b>146,985</b>

Negative fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading liabilities.

## (12) Loans and advances to banks

Loans and advances to banks classified regionally (counterparty's seat) are as follows:

In € million	30/6/2012	31/12/2011
Austria	12,672	13,127
Foreign	13,029	12,621
<b>Total</b>	<b>25,701</b>	<b>25,748</b>

Loans and advances to banks include € 6,124 million (31/12/2011: € 3,577 million) from repo transactions.

## (13) Loans and advances to customers

Loans and advances to customers break down into asset classes according to Basel II definition as follows:

In € million	30/6/2012	31/12/2011
Sovereigns	1,340	1,356
Corporate customers – large corporates	53,669	55,222
Corporate customers – mid market	3,705	3,674
Retail customers – private individuals	23,366	19,004
Retail customers – small and medium-sized entities	2,787	2,291
Other	20	28
<b>Total</b>	<b>84,887</b>	<b>81,576</b>

Loans and advances to customers include € 2,364 million (31/12/2011: € 1,469 million) from repo transactions.

Loans and advances to customers classified regionally (counterparty's seat) are as follows:

In € million	30/6/2012	31/12/2011
Austria	7,372	7,855
Foreign	77,514	73,721
<b>Total</b>	<b>84,887</b>	<b>81,576</b>

## (14) Impairment losses on loans and advances

Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

In € million	30/6/2012	31/12/2011
Banks	173	228
Sovereigns	12	6
Corporate customers – large corporates	2,711	2,619
Corporate customers – mid market	461	427
Retail customers – private individuals	1,937	1,524
Retail customers – small and medium-sized entities	331	249
<b>Total</b>	<b>5,625</b>	<b>5,053</b>

## (15) Trading assets

In € million	30/6/2012	31/12/2011
Bonds, notes and other fixed-interest securities	2,268	3,107
Shares and other variable-yield securities	260	210
Positive fair values of derivative financial instruments	8,717	7,293
Call/time deposits from trading purposes	0	7
<b>Total</b>	<b>11,244</b>	<b>10,617</b>

## (16) Derivatives

In € million	30/6/2012	31/12/2011
Positive fair values of derivatives in fair value hedges (IAS 39)	452	426
Positive fair values of credit derivatives	4	75
Positive fair values of other derivatives	773	904
<b>Total</b>	<b>1,230</b>	<b>1,405</b>

## (17) Financial investments

In € million	30/6/2012	31/12/2011
Bonds, notes and other fixed-interest securities	14,224	15,837
Shares and other variable-yield securities	217	254
Equity participations	476	444
<b>Total</b>	<b>14,918</b>	<b>16,535</b>

### (18) Intangible fixed assets

In € million	30/6/2012	31/12/2011
Goodwill	568	408
Software	554	531
Other intangible fixed assets	195	126
<b>Total</b>	<b>1,318</b>	<b>1,066</b>

### (19) Tangible fixed assets

In € million	30/6/2012	31/12/2011
Land and buildings used by the Group for own purpose	733	610
Other land and buildings (investment property)	116	121
Office furniture, equipment and other tangible fixed assets	424	449
Leased assets (operating lease)	335	332
<b>Total</b>	<b>1,608</b>	<b>1,511</b>

### (20) Other assets

In € million	30/6/2012	31/12/2011
Tax assets	522	418
Current tax assets	64	60
Deferred tax assets	458	358
Receivables arising from non-banking activities	127	108
Prepayments and other deferrals	237	261
Clearing claims from securities and payment transfer business	453	458
Lease in progress	49	51
Assets held for sale (IFRS 5)	68	27
Inventories	180	174
Re-/Devaluation of portfolio-hedged underlyings	15	7
Any other business	388	671
<b>Total</b>	<b>2,040</b>	<b>2,174</b>

## (21) Deposits from banks

Deposits from banks classified regionally (counterparty's seat) break down as follows:

In € million	30/6/2012	31/12/2011
Austria	21,033	20,649
Foreign	19,311	17,343
<b>Total</b>	<b>40,344</b>	<b>37,992</b>

Deposits from banks include € 3,527 million (31/12/2011: € 1,549 million) from repo transactions.

## (22) Deposits from customers

Deposits from customers break down analog to Basel II definition as follows:

In € million	30/6/2012	31/12/2011
Sovereigns	1,612	1,318
Corporate customers – large corporates	33,693	33,187
Corporate customers – mid market	2,335	2,439
Retail customers – private individuals	29,946	25,422
Retail customers – small and medium-sized entities	3,709	3,723
Other	717	658
<b>Total</b>	<b>72,011</b>	<b>66,747</b>

Deposits from customers include € 2,771 million (31/12/2011: € 3,720 million) from repo transactions.

Deposits from customers classified regionally (counterparty's seat) are as follows:

In € million	30/6/2012	31/12/2011
Austria	6,300	6,102
Foreign	65,711	60,645
<b>Total</b>	<b>72,011</b>	<b>66,747</b>

## (23) Debt securities issued

In € million	30/6/2012	31/12/2011
Bonds and notes issued	11,336	12,762
Money market instruments issued	341	829
Other debt securities issued	779	776
<b>Total</b>	<b>12,456</b>	<b>14,367</b>

## (24) Provisions for liabilities and charges

In € million	30/6/2012	31/12/2011
Severance payments	61	60
Retirement benefits	24	23
Taxes	154	173
Current	105	156
Deferred	49	17
Contingent liabilities and commitments	148	151
Pending legal issues	74	90
Overdue vacation	56	52
Bonus payments	140	177
Restructuring	1	2
Other	41	42
<b>Total</b>	<b>699</b>	<b>771</b>

## (25) Trading liabilities

In € million	30/6/2012	31/12/2011
<b>Negative fair values of derivative financial instruments</b>	<b>9,376</b>	<b>8,406</b>
Interest-based transactions	7,604	6,391
Currency-based transactions	983	1,367
Equity-/index-based transactions	724	566
Credit derivatives business	53	68
Other transactions	12	14
<b>Short-selling of trading assets</b>	<b>627</b>	<b>566</b>
<b>Call/time deposits from trading purposes</b>	<b>0</b>	<b>0</b>
<b>Certificates issued</b>	<b>746</b>	<b>743</b>
<b>Total</b>	<b>10,750</b>	<b>9,715</b>

## (26) Derivatives

In € million	30/6/2012	31/12/2011
Negative fair values of derivatives in fair value hedges (IAS 39)	62	37
Negative fair values of derivatives in cash flow hedges (IAS 39)	2	5
Negative fair values of credit derivatives	5	13
Negative fair values of derivative financial instruments	478	736
<b>Total</b>	<b>546</b>	<b>792</b>

**(27) Other liabilities**

In € million	30/6/2012	31/12/2011
<i>Liabilities from non-banking activities</i>	102	124
<i>Accruals and deferred items</i>	265	188
<i>Liabilities from dividends</i>	19	0
<i>Clearing claims from securities and payment transfer business</i>	577	417
<i>Re-/Devaluation of portfolio-hedged underlyings</i>	43	22
<i>Any other business</i>	267	764
<b>Total</b>	<b>1,273</b>	<b>1,515</b>

**(28) Subordinated capital**

In € million	30/6/2012	31/12/2011
<i>Hybrid tier 1 capital</i>	450	819
<i>Subordinated liabilities</i>	2,716	2,729
<i>Supplementary capital</i>	622	603
<b>Total</b>	<b>3,788</b>	<b>4,151</b>

**(29) Equity**

In € million	30/6/2012	31/12/2011
<i>Consolidated equity</i>	9,280	8,825
<i>Subscribed capital</i>	595	593
<i>Participation capital</i>	2,500	2,500
<i>Capital reserves</i>	2,576	2,571
<i>Retained earnings</i>	3,610	3,161
<i>Consolidated profit</i>	701	968
<i>Non-controlling interests</i>	869	1,143
<b>Total</b>	<b>10,850</b>	<b>10,936</b>

The subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596 million. After deduction of 557,295 own shares, the stated subscribed capital totaled € 595 million.

## (30) Risk report

Active risk management is one of the core competencies of RBI. In order to effectively identify, measure, and manage risks, the Group has implemented a comprehensive risk management. Risk management system is an integrated part of overall bank management and it is continuously advanced. RBI's risk management is geared toward ensuring that credit and country risks, market and liquidity risks, risks arising from holdings and operational risks are dealt with conscientiously and managed professionally. The principles and organization of risk management are disclosed in the relevant chapters of the annual report for 2011.

### Economic capital

Economic capital constitutes an important instrument in overall bank risk management. It sets the internal capital requirement for all risk categories being measured based on comparable internal models and thus allows for an aggregated view of the Group's risk profile. Economic capital has thus become an important instrument in overall bank risk management and is used for making risk-adjusted business decisions and in performance measurement. For this purpose, a business unit's profit is set in relation to economic capital attributed to the unit (return on risk-adjusted capital, RoRAC).

Risk contribution of individual risk types to economic capital:

In € million	30/6/2012	Share	31/12/2011	Share
Credit risk corporate customers	2,446	27.5%	3,724	39.4%
Credit risk private individuals	2,482	27.9%	1,968	20.8%
Credit risk sovereigns	963	10.8%	738	7.8%
Credit risk financial institutions	343	3.9%	566	6.0%
Market risk	613	6.9%	701	7.4%
Operational risk	829	9.3%	863	9.1%
Liquidity risk <sup>1</sup>	187	2.1%	–	–
Participation risk	237	2.7%	29	0.3%
Other tangible fixed assets <sup>1</sup>	368	4.1%	–	–
Risk buffer	423	4.8%	859	9.1%
<b>Total</b>	<b>8,891</b>	<b>100.0%</b>	<b>9,447</b>	<b>100.0%</b>

<sup>1</sup> New position due to new development in the calculation of economic capital

Regional allocation of economic capital according to booking unit:

In € million	30/6/2012	Share	31/12/2011 <sup>1</sup>	Share
Austria	1,936	21.8%	2,301	24.4%
Central Europe	3,364	37.8%	2,535	26.8%
Southeastern Europe	2,019	22.7%	1,668	17.7%
Russia	1,106	12.4%	1,144	12.1%
CIS Other	844	9.5%	593	6.3%
Rest of the world	235	2.6%	347	3.7%
Risk buffer and diversification effects of risk types <sup>2</sup>	(613)	(6.9)%	859	9.1%
<b>Total</b>	<b>8,891</b>	<b>100.0%</b>	<b>9,447</b>	<b>100.0%</b>

<sup>1</sup> Extension of previous year figures with consideration of risk buffer

<sup>2</sup> With consideration of diversification effects of risk types beginning with 2012

Advanced methods for calculating economic capital were implemented at the start of 2012. RBI has now introduced the explicit quantification of liquidity risk, as well as risk arising from other tangible fixed assets. A new multifactor model, in which concentration risks are also taken more fully into account now, was likewise introduced in credit risk. At the same time, the calculation of investment risk was updated, which is now also reported separately. By taking additional risks into account, the buffer for other risks was reduced. Accordingly, a comparison of the figures to end-2011 provides only limited informative value.

## Credit risk

### **Reconciliation of figures from IFRS consolidated financial statements to total credit exposure (according to Basel II)**

The following table translates items of the statement of financial position (banking and trading book positions) into the maximum credit exposure. It includes exposures on and off the statement of financial position before the application of credit-conversion factors and thus represents the maximum credit exposure. It is not reduced by the effects of credit risk mitigation for example guarantees and physical collateral, effects that are, however, considered in the internal assessment of credit risks. The maximum credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. The main reasons for the deviation between the figures of internal portfolio management and external accounting are different scopes of consolidation (regulatory versus IFRS, i.e. corporate legal basis) and different criteria for loan volume definition.

In € million	30/6/2012	31/12/2011
<i>Cash reserve</i>	13,485	9,348
<i>Loans and advances to banks</i>	25,701	25,748
<i>Loans and advances to customers</i>	84,887	81,576
<i>Trading assets</i>	11,244	10,617
<i>Derivatives</i>	1,230	1,405
<i>Financial investments</i>	14,224	15,837
<i>Other assets</i>	290	240
<i>Contingent liabilities</i>	10,609	13,280
<i>Commitments</i>	11,245	12,625
<i>Revocable credit lines</i>	16,290	14,848
<i>Description differences</i>	(1,730)	1,177
<b>Total</b>	<b>187,473</b>	<b>186,700</b>

Items on the statement of financial position containing only credit risk parts

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is different between these asset classes.

Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group units and rank creditworthiness in 10 classes. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

### Credit portfolio - Corporates

The following table shows the total credit exposure by internal rating for corporate customers (large corporates and mid market). When making an overall assessment of credit risk, collateral and recovery rates in the event of default must also be taken into account.

In € million		30/6/2012	Share	31/12/2011	Share
0.5	Minimal Risk	1,171	1.4%	1,266	1.4%
1.0	Excellent credit standing	8,513	10.2%	7,900	8.9%
1.5	Very good credit standing	9,290	11.1%	8,939	10.0%
2.0	Good credit standing	11,488	13.7%	12,746	14.3%
2.5	Sound credit standing	13,197	15.8%	15,630	17.5%
3.0	Acceptable credit standing	13,123	15.7%	14,552	16.3%
3.5	Marginal credit standing	12,357	14.8%	12,506	14.0%
4.0	Weak credit standing/sub-standard	5,299	6.3%	6,384	7.2%
4.5	Very weak credit standing/doubtful	3,280	3.9%	3,803	4.3%
5.0	Default	4,973	5.9%	4,610	5.2%
NR	Not rated	930	1.1%	831	0.9%
<b>Total</b>		<b>83,621</b>	<b>100.0%</b>	<b>89,166</b>	<b>100.0%</b>

Compared to end-2011, total credit exposure for corporate customers declined by € 5,545 million to € 83,621 million. At the end of the second quarter, the largest segment in terms of corporate customers was Group Corporates with € 33,928 million, followed by Central Europe with € 18,434 million and Southeastern Europe with € 10,622 million. The rest is divided between Russia with € 10,203 million, CIS Other with € 3,905 million, Group Markets with € 5,614 million and Corporate Center with € 914 million.

The share of loans with increased credit risk or even weaker credit profiles decreased slightly from 25.5 per cent to 25 per cent. The share of loans with good to minimum risk credit profiles rose from 34.6 per cent to 36.4 per cent. This improvement resulted from two factors: first, the creditworthiness of existing customers increased, leading to an increase in the internal rating, and second, it reflects the loan portfolio's active management, based on which the portfolio's growth is strongly focused on economically thriving markets such as Russia or Asia, with new loans granted primarily to customers with good credit ratings and in accordance with strict lending standards.

The Group Corporates segment posted a decline of € 3,355 million, which represents the most significant reduction in exposure compared to end-2011. With € 2,738 million this reduction was mainly based on reduced credit business in China and decreased issued guarantees in Austria.

The share of default loans under Basel II (rating 5.0) was 5.9 per cent of total credit exposure (€ 4,973 million).

The following table provides a breakdown by country of risk of the maximum credit exposure for corporate customers structured by regions:

In € million	30/6/2012	Share	31/12/2011	Share
Central Europe	18,434	22.0%	18,649	20.9%
Western Europe	8,721	10.4%	11,658	13.1%
Southeastern Europe	10,622	12.7%	11,230	12.6%
Russia	10,203	12.2%	10,795	12.1%
Austria	15,947	19.1%	17,215	19.3%
CIS Other	3,905	4.7%	4,094	4.6%
Asia	7,468	8.9%	8,547	9.6%
Other	8,321	10.0%	6,976	7.8%
<b>Total</b>	<b>83,621</b>	<b>100.0%</b>	<b>89,166</b>	<b>100.0%</b>

The table below provides a breakdown of the maximum credit exposure for corporates and project finance selected by industries:

In € million	30/6/2012	Share	31/12/2011	Share
Wholesale and retail trade	21,810	23.7%	23,672	24.2%
Manufacturing	19,792	21.5%	21,157	21.7%
Real estate	10,338	11.3%	10,418	10.7%
Financial intermediation	9,101	9.9%	9,300	9.5%
Construction	6,879	7.5%	7,324	7.5%
Transport, storage and communication	3,892	4.2%	3,681	3.8%
Other industries	20,058	21.8%	22,079	22.6%
<b>Total</b>	<b>91,871</b>	<b>100.0%</b>	<b>97,632</b>	<b>100.0%</b>

The rating model for project finance has five different grades and takes into account both the individual probability of default and the available collateral. The exposure from project finance is shown in the table below:

In € million	30/6/2012	Share	31/12/2011	Share
6.1 Excellent project risk profile – very low risk	3,379	41.0%	2,847	33.6%
6.2 Good project risk profile – low risk	2,762	33.5%	3,265	38.6%
6.3 Acceptable project risk profile – average risk	1,297	15.7%	1,241	14.7%
6.4 Poor project risk profile – high risk	341	4.1%	676	8.0%
6.5 Default	458	5.6%	419	5.0%
NR Not rated	13	0.2%	18	0.2%
<b>Total</b>	<b>8,249</b>	<b>100.0%</b>	<b>8,466</b>	<b>100.0%</b>

The credit exposure in project finance amounted to € 8,249 million at the end of the second quarter of 2012, with the two best rating grades – Excellent project risk profile, with a very low risk and Good project risk profile, with a low risk – accounting for the bulk, at 74.5 per cent. This is mainly attributable to the high level of collateralization in such specialized lending transactions. The share of unrated loans remained stable at € 13 million compared to end-2011.

### Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers, a two-fold scoring system is used – consisting of the initial and ad-hoc scoring based on customer data and behavioral scoring based on account data. The table below provides a breakdown of RBI's retail credit exposure:

In € million	30/6/2012	Share	31/12/2011	Share
Retail customers – private individuals	25,484	89.3%	20,778	89.0%
Retail customers – small and medium-sized entities	3,041	10.7%	2,568	11.0%
<b>Total</b>	<b>28,525</b>	<b>100.0%</b>	<b>23,346</b>	<b>100.0%</b>
hereof non-performing loans	3,022	10.6%	2,452	10.5%
hereof individual loan loss provision	1,612	5.7%	1,499	6.4%
hereof portfolio-based loan loss provision	655	2.3%	275	1.2%

The total credit exposure of retail customers breaks down by segments as follows:

30/6/2012	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
In € million					
Retail customers – private individuals	13,960	6,606	3,132	1,729	58
Retail customers – small and medium-sized entities	2,065	784	39	154	0
<b>Total</b>	<b>16,025</b>	<b>7,389</b>	<b>3,170</b>	<b>1,882</b>	<b>58</b>
hereof non-performing loans	1,446	598	219	754	1
hereof individual loan loss provision	544	367	192	504	0
hereof portfolio-based loan loss provision	546	69	12	28	0

31/12/2011	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
In € million					
Retail customers – private individuals	9,659	6,615	2,781	1,711	12
Retail customers – small and medium-sized entities	1,528	846	48	146	0
<b>Total</b>	<b>11,187</b>	<b>7,461</b>	<b>2,829</b>	<b>1,857</b>	<b>12</b>
hereof non-performing loans	929	576	212	729	1
hereof individual loan loss provision	457	372	185	480	0
hereof portfolio-based loan loss provision	174	65	7	28	0

Compared to end-2011, total credit exposure to retail customers rose in the second quarter of 2012 by 22.2 per cent or € 5,179 million to € 28,525 million. Due to the acquisition of Polbank, the retail exposure increased by € 5,223 million as of 30 June 2012.

The segment Central Europe had the largest volume at € 16,025 million. Compared to end-2011, there was an increase of € 4,838 million, which is attributable to the acquisition of Polbank and partially offset by the decline in the retail portfolio in Hungary and the Czech Republic. Southeastern Europe was second at € 7,389 million, marking a slight decline compared to end-2011.

In the table below, the retail exposure selected by products is shown:

In € million	30/6/2012	Share	31/12/2011	Share
Mortgage loans	14,733	51.6%	10,679	45.7%
Personal loans	5,857	20.5%	5,708	24.5%
Car loans	2,297	8.1%	2,149	9.2%
Credit cards	2,091	7.3%	2,036	8.7%
Overdraft	2,305	8.1%	1,754	7.5%
SME financing	1,242	4.4%	1,020	4.4%
<b>Total</b>	<b>28,525</b>	<b>100.0%</b>	<b>23,346</b>	<b>100.0%</b>

The share of foreign currency loans in retail portfolio provides an indication of potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account not only the share of foreign currency loans, but also the usually stricter lending criteria of loan distribution and – in several countries – the customer's ability to match payments with foreign currency income.

In € million	30/6/2012	Share	31/12/2011	Share
Euro	4,130	37.2%	3,322	42.3%
Swiss franc	5,389	48.6%	2,903	37.0%
US-Dollar	1,417	12.8%	1,445	18.4%
Other foreign currencies	162	1.5%	187	2.4%
<b>Loans in foreign currencies</b>	<b>11,097</b>	<b>100.0%</b>	<b>7,857</b>	<b>100.0%</b>
<b>Share of total loans</b>	<b>38.9%</b>		<b>33.7%</b>	

Due to the acquisition of Polbank, volumes grew in almost all foreign currency loan categories compared to end-2011.

#### **Credit portfolio - Financial institutions**

The financial institutions asset class mainly contains exposures to banks and securities firms. The internal rating model for financial institutions is based on a peer-group approach that takes both qualitative and quantitative information into account. The final rating for financial institutions is capped by the country rating of the respective home country.

The following table shows the maximum credit exposure by internal rating for financial institutions (excluding central banks). Due to the limited number of customers (or observable defaults) in the individual ratings categories, the probabilities of default in this asset class are determined using a combination of internal and external data.

<i>In € million</i>	<i>30/6/2012</i>	<i>Share</i>	<i>31/12/2011</i>	<i>Share</i>
A1 <i>Excellent credit standing</i>	85	0.2%	85	0.2%
A2 <i>Very good credit standing</i>	835	2.2%	3,409	8.8%
A3 <i>Good credit standing</i>	25,924	68.9%	24,221	62.4%
B1 <i>Sound credit standing</i>	6,114	16.3%	5,233	13.5%
B2 <i>Average credit standing</i>	1,902	5.1%	2,993	7.7%
B3 <i>Mediocre credit standing</i>	874	2.3%	1,277	3.3%
B4 <i>Weak credit standing</i>	897	2.4%	621	1.6%
B5 <i>Very weak credit standing</i>	364	1.0%	370	1.0%
C <i>Doubtful/high default risk</i>	216	0.6%	184	0.5%
D <i>Default</i>	304	0.8%	352	0.9%
NR <i>Not rated</i>	94	0.3%	83	0.2%
<b>Total</b>	<b>37,610</b>	<b>100.0%</b>	<b>38,830</b>	<b>100.0%</b>

Total customer exposure amounted to € 37,610 million in the second quarter of 2012, which represents a decline of € 1,220 million. At € 25,924 million or 68.9 per cent, the bulk of this customer group was in the A3 rating class, which increased by € 1,703 million compared to year-end. This increase resulted primarily from swap and repo business in the segment Group Markets (€ 4,231 million) and was partially offset by the decline in the segments Corporate Center and Group Corporates totaling € 1,513 million. Measured on the total portfolio, the segment Corporate Center had the largest decline at € 863 million. At € 32,200 million or 85.6 per cent, the segment Group Markets had the largest share of the loan portfolio with financial institutions, followed by the segment Group Corporates with € 1,796 million or 4.8 per cent.

The breakdown shows the total credit exposure of financial institutions (excluding central banks) split by products:

<i>In € million</i>	<i>30/6/2012</i>	<i>Share</i>	<i>31/12/2011</i>	<i>Share</i>
<i>Derivatives</i>	13,851	36.8%	12,464	32.1%
<i>Money market</i>	11,821	31.4%	13,127	33.8%
<i>Repo</i>	5,122	13.6%	2,681	6.9%
<i>Loans</i>	3,622	9.6%	4,984	12.8%
<i>Bonds</i>	2,562	6.8%	4,450	11.5%
<i>Other</i>	633	1.7%	1,123	2.9%
<b>Total</b>	<b>37,610</b>	<b>100.0%</b>	<b>38,830</b>	<b>100.0%</b>

### Credit portfolio - Sovereigns

Another customer group comprises sovereigns, central banks and regional municipalities, as well as other quasi-governmental organizations. The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

In € million	30/6/2012	Share	31/12/2011	Share
A1 Excellent credit standing	11,832	40.2%	9,567	35.6%
A2 Very good credit standing	733	2.5%	465	1.7%
A3 Good credit standing	4,495	15.3%	4,519	16.8%
B1 Sound credit standing	2,790	9.5%	1,786	6.6%
B2 Average credit standing	727	2.5%	758	2.8%
B3 Mediocre credit standing	3,965	13.5%	5,513	20.5%
B4 Weak credit standing	2,411	8.2%	2,254	8.4%
B5 Very weak credit standing	2,254	7.6%	1,659	6.2%
C Doubtful/high default risk	168	0.6%	156	0.6%
D Default	86	0.3%	139	0.5%
NR Not rated	7	0.0%	77	0.3%
<b>Total</b>	<b>29,467</b>	<b>100.0%</b>	<b>26,893</b>	<b>100.0%</b>

Compared to end-2011, credit exposure from sovereigns rose by € 2,574 million to € 29,467 million, which represents 15.7 per cent of total loans outstanding. The Minimal risk class (A1 rating) accounted for the highest share, at 40.2 per cent, which was attributable to increased deposits with the Austrian National Bank.

The intermediate rating classes – from Good credit standing (A3 rating) through to Mediocre credit standing (B3 rating) – follow at 40.8 per cent. The high level of exposure in the intermediate rating classes was mainly due to deposits of network banks in Central and Southeastern Europe at their local central banks. These are used to satisfy minimum reserve requirements and for the short-term investment of excess liquidity, and were therefore inextricably linked to the business activities in these countries. Loans in rating classes B4 and B5 amounted to € 4,655 million or 15.8 per cent of total loans outstanding. They include primarily investments in central banks and central governments in the segments Southeastern Europe and CIS Other. Loans in the lower rating classes (C and D rating) declined, which was largely due to restructured municipal financing transactions in Hungary.

The breakdown below shows the total credit exposure to sovereigns (including central banks) selected by products:

In € million	30/6/2012	Share	31/12/2011	Share
Bonds	14,790	50.2%	13,106	48.7%
Loans	12,815	43.5%	9,023	33.6%
Derivatives	1,008	3.4%	1,028	3.8%
Other	853	2.9%	3,736	13.9%
<b>Total</b>	<b>29,467</b>	<b>100.0%</b>	<b>26,893</b>	<b>100.0%</b>

The table below shows the credit exposure to the public sector in non-investment grade (rating B3 and below):

In € million	30/6/2012	Share	31/12/2011	Share
Romania	2,295	25.8%	2,000	20.4%
Hungary	1,835	20.6%	1,912	19.5%
Croatia	1,037	11.7%	1,304	13.3%
Albania	1,007	11.3%	1,218	12.4%
Ukraine	894	10.1%	993	10.1%
Other	1,823	20.5%	2,371	24.2%
<b>Total</b>	<b>8,891</b>	<b>100.0%</b>	<b>9,798</b>	<b>100.0%</b>

Compared to end-2011, credit exposure to non-investment grade sovereigns declined by € 907 million to € 8,891 million, and resulted mainly from deposits of Group units with local central banks in Central and Southeastern Europe. Since these served to meet the minimum reserve requirements and the short-term investment of excess liquidity, they were inextricably linked to the business activities in these countries.

The credit exposure of peripheral European countries (Greece, Ireland, Italy, Portugal, Slovenia and Spain) towards the public sector amounted to € 324 million (year-end 2011: € 470 million) and represents no significant concentration risk for RBI.

#### ***Non-performing loans and provisioning***

The table below shows the share of non-performing loans (NPL) in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) as reported in the statement of financial position and the corresponding share of provisioning.

In € million	NPL		NPL ratio		Coverage ratio	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011
Corporate customers	5,209	4,591	9.1%	7.8%	60.9%	66.3%
Retail customers	3,022	2,452	11.6%	11.5%	75.0%	72.3%
Sovereigns	58	12	4.4%	0.9%	19.9%	48.2%
<b>Total nonbanks</b>	<b>8,289</b>	<b>7,056</b>	<b>9.8%</b>	<b>8.6%</b>	<b>65.8%</b>	<b>68.4%</b>
Banks	238	241	0.9%	0.9%	72.8%	94.3%
<b>Total</b>	<b>8,527</b>	<b>7,297</b>	<b>7.7%</b>	<b>6.8%</b>	<b>66.0%</b>	<b>69.3%</b>

The table below shows the share of non-performing loans (NPL) in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) as reported in the statement of financial position and the share of provisioning by segments.

In € million	NPL		NPL ratio		Coverage ratio	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011
Central Europe	3,329	2,480	10.2%	9.0%	61.9%	60.8%
Southeastern Europe	1,820	1,726	10.6%	9.8%	58.1%	58.5%
Russia	544	525	3.7%	4.4%	96.3%	100.1%
CIS Other	1,555	1,506	27.5%	26.4%	67.8%	68.2%
Group Corporates	819	654	4.0%	2.8%	63.4%	79.1%
Group Markets	460	405	2.9%	1.8%	73.1%	95.7%
<b>Total</b>	<b>8,527</b>	<b>7,297</b>	<b>7.7%</b>	<b>6.8%</b>	<b>66.0%</b>	<b>69.3%</b>

The tables below show the development of non-performing loans in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) as reported in the statement of financial position in the first half of 2012 and for the whole year 2011:

In € million	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	As of 30/6/2012
Corporate customers	4,591	65	92	978	(518)	5,209
Retail customers	2,452	414	67	516	(427)	3,022
Sovereigns	12	0	2	46	(2)	58
<b>Total nonbanks</b>	<b>7,056</b>	<b>478</b>	<b>161</b>	<b>1,540</b>	<b>(946)</b>	<b>8,289</b>
Banks	241	0	1	14	(19)	238
<b>Total</b>	<b>7,297</b>	<b>478</b>	<b>162</b>	<b>1,554</b>	<b>(965)</b>	<b>8,527</b>

In € million	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2011
Corporate customers	4,381	0	(88)	1,667	(1,369)	4,591
Retail customers	2,396	0	(57)	891	(779)	2,452
Sovereigns	12	0	0	4	(4)	12
<b>Total nonbanks</b>	<b>6,790</b>	<b>0</b>	<b>(145)</b>	<b>2,562</b>	<b>(2,151)</b>	<b>7,056</b>
Banks	268	0	2	97	(126)	241
<b>Total</b>	<b>7,058</b>	<b>0</b>	<b>(143)</b>	<b>2,660</b>	<b>(2,277)</b>	<b>7,297</b>

In Corporate Customers, total non-performing loans increased in the first two quarters of 2012 by 13 per cent or € 617 million to € 5,209 million, with particularly significant increases in Central Europe, up 19 per cent or € 285 million, Group Corporates, up 25 per cent or € 165 million, and Southeastern Europe, up 6 per cent or € 72 million. The ratio of non-performing loans to credit exposure rose by 1.3 per cent to 9.1 per cent. Loan-loss provisions rose by 4 per cent, or € 126 million, to € 3,173 million; at the same time, the coverage ratio fell 5.4 percentage points to 60.9 per cent.

In Retail, non-performing loans were up 23 per cent, or € 570 million, to € 3,022 million. At 56 per cent or € 517 million, Central Europe accounted for the bulk of the increase (€ 434 million is attributable to the integration of Polbank). The ratio of non-performing loans to credit exposure increased slightly by 0.1 percentage points and amounted to 11.6 per cent. Total loan-loss provisions for retail customers increased to € 2,268 million, with the coverage ratio improving in parallel by 2.7 percentage points to 75.0 per cent.

Non-performing loans for financial institutions amounted to € 238 million at the end of the second quarter of 2012, for which loan-loss provisions of € 173 million were set up.

The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position in the first half of 2012.

	<b>As of 1/1/2012</b>	<b>Change in consolidated group</b>	<b>Allocation<sup>1</sup></b>	<b>Release</b>	<b>Usage<sup>2</sup></b>	<b>Exchange differences</b>	<b>As of 30/6/2012</b>
<i>In € million</i>							
<i>Individual loan loss provision</i>	4,441	79	857	(360)	(361)	88	4,744
<i>Portfolio-based loan loss provisions</i>	763	350	200	(291)	0	8	1,029
<b>Total</b>	<b>5,204</b>	<b>429</b>	<b>1,056</b>	<b>(651)</b>	<b>(361)</b>	<b>96</b>	<b>5,774</b>

<sup>1</sup> Allocation including direct write-downs and income on written down claims.

<sup>2</sup> Usage including direct write-downs and income on written down claims.

### Concentration risk

RBI's credit portfolio is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The regional breakdown of the maximum credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the maximum credit exposure from all asset classes by country of risk and grouped by region.

<i>In € million</i>	<b>30/6/2012</b>	<b>Share</b>	<b>31/12/2011<sup>1</sup></b>	<b>Share</b>
<b>Austria</b>	<b>43,273</b>	<b>23.1%</b>	<b>43,687</b>	<b>23.4%</b>
<b>Central Europe</b>	<b>48,519</b>	<b>25.9%</b>	<b>42,630</b>	<b>22.8%</b>
Poland	15,129	8.1%	8,808	4.7%
Slovakia	11,550	6.2%	11,862	6.4%
Czech Republic	10,986	5.9%	10,937	5.9%
Hungary	8,935	4.8%	8,883	4.8%
Other	1,918	1.0%	2,140	1.1%
<b>European Union</b>	<b>26,609</b>	<b>14.2%</b>	<b>26,501</b>	<b>14.2%</b>
Great Britain	8,295	4.4%	7,365	3.9%
Germany	7,326	3.9%	7,492	4.0%
France	4,915	2.6%	3,170	1.7%
Netherlands	1,862	1.0%	2,951	1.6%
Other	4,211	2.2%	5,522	3.0%

In € million	30/6/2012	Share	31/12/2011 <sup>1</sup>	Share
<b>Southeastern Europe</b>	<b>25,247</b>	<b>13.5%</b>	<b>26,717</b>	<b>14.3%</b>
Romania	8,431	4.5%	8,558	4.6%
Croatia	5,760	3.1%	6,163	3.3%
Bulgaria	4,271	2.3%	4,328	2.3%
Serbia	2,156	1.2%	2,549	1.4%
Other	4,628	2.5%	5,119	2.7%
<b>Russia</b>	<b>18,245</b>	<b>9.7%</b>	<b>18,485</b>	<b>9.9%</b>
<b>Far East</b>	<b>11,091</b>	<b>5.9%</b>	<b>12,278</b>	<b>6.6%</b>
China	5,870	3.1%	6,556	3.5%
Other	5,221	2.8%	5,722	3.1%
<b>CIS Other</b>	<b>7,668</b>	<b>4.1%</b>	<b>7,787</b>	<b>4.2%</b>
Ukraine	6,066	3.2%	6,372	3.4%
Other	1,603	0.9%	1,415	0.8%
<b>USA</b>	<b>4,553</b>	<b>2.4%</b>	<b>5,231</b>	<b>2.8%</b>
<b>Rest of the world</b>	<b>2,268</b>	<b>1.2%</b>	<b>3,385</b>	<b>1.8%</b>
<b>Total</b>	<b>187,473</b>	<b>100.0%</b>	<b>186,700</b>	<b>100.0%</b>

<sup>1</sup> Adjustments of previous year figures due to different mapping.

RBI does not have a presence in any of the so-called peripheral European countries through subsidiary banks, but there are receivables from customers in these countries arising from credit financing and capital markets business. However, the Group holds virtually no government bonds issued by these countries, except from the Republic of Italy and Slovenia, which amounted to € 324 million (year-end 2011: € 470 million) and therefore represents no significant concentration risk for RBI.

## Market risk

Market risk management is based on figures from an internal model that calculates value-at-risk (VaR) for changes in the following risk factors: foreign exchange, interest rate changes, credit spreads and equity indices. The Austrian financial market authority and the Austrian national bank have approved this model, and it is used to calculate own fund requirements for market risk.

The following table lists risk measures for overall market risk in the trading and banking book for each risk type. The VaR is dominated by risk arising from equity positions held in foreign currencies, structural interest risks and spread risks on the bond books (frequently held as a liquidity reserve).

Total VaR 99% 1d In € million	VaR as of 30/6/2012	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2011
Currency risk <sup>1</sup>	68	57	43	78	64
Interest rate risk	33	24	11	45	46
Credit spread risk	13	17	8	23	11
Share price risk	2	2	2	3	2
<b>Total</b>	<b>74</b>	<b>62</b>	<b>43</b>	<b>82</b>	<b>51</b>

<sup>1</sup> Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity positions is managed independently from the mainly short-term trading positions.

## Liquidity risk

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

In € million	30/6/2012			31/12/2011		
	Maturity	1 week	1 month	1 year	1 week	1 month
Liquidity gap	18,646	15,235	12,067	20,692	17,937	7,094
Liquidity ratio	142%	121%	108%	175%	130%	105%

The acquisition of Polbank in the second quarter of 2012 led to a reduction in excess liquidity in the short maturity bands. In particular, the liquidity ratio for the one-week maturity band declined significantly because the short-term funds previously held for the acquisition were transferred with the acquisition to longer-term refinancing transactions with Polbank. In contrast, RBI's liquidity buffer was cut back only modestly. This will ensure that the Group has sufficient liquid resources also during crisis situations to be able to meet all short-term payment obligations.

## Additional notes

### (31) Contingent liabilities and commitments

In € million	30/6/2012	31/12/2011
<b>Contingent liabilities</b>	<b>10,609</b>	<b>13,280</b>
Acceptances and endorsements	50	44
Credit guarantees	5,894	7,418
Other guarantees	2,205	2,699
Letters of credit (documentary business)	2,398	3,072
Other contingent liabilities	62	48
<b>Commitments</b>	<b>11,245</b>	<b>12,625</b>
Irrevocable credit lines and stand-by facilities	11,245	12,625
Up to 1 year	4,156	4,843
More than 1 year	7,089	7,782

### (32) Derivatives

The total volume of unsettled financial instruments as of 30 June 2012 breaks down as follows:

In € million	Nominal amount by maturity			Fair values		
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive Negative	
					Positive	Negative
Interest rate contracts	66,172	125,237	73,915	265,324	8,692	(8,058)
Foreign exchange rate and gold contracts	54,114	12,023	2,458	68,595	1,005	(1,049)
Equity/index contracts	1,683	1,128	370	3,181	174	(750)
Commodities	126	94	18	238	12	(6)
Credit derivatives	1,001	1,626	316	2,943	65	(57)
Precious metals contracts	38	2	14	55	0	(7)
<b>Total</b>	<b>123,135</b>	<b>140,110</b>	<b>77,091</b>	<b>340,336</b>	<b>9,948</b>	<b>(9,928)</b>

The total volume of unsettled financial instruments as of 31 December 2011 breaks down as follows:

In € million	Nominal amount by maturity			Fair values		
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive Negative	
					Positive	Negative
Interest rate contracts	67,754	132,690	79,387	279,831	7,542	(7,087)
Foreign exchange rate and gold contracts	51,887	8,972	1,895	62,753	896	(1,425)
Equity/index contracts	1,453	1,145	382	2,981	82	(591)
Commodities	155	84	25	264	13	(10)
Credit derivatives	1,017	2,127	753	3,898	164	(80)
Precious metals contracts	14	21	14	49	0	(5)
<b>Total</b>	<b>122,282</b>	<b>145,038</b>	<b>82,455</b>	<b>349,775</b>	<b>8,698</b>	<b>(9,198)</b>

### (33) Related parties

Transactions with related parties that are natural persons are limited to banking business transactions that are carried out at fair market conditions. Moreover, members of the Managing Board hold shares of Raiffeisen Bank International AG. This information is published on the homepage of Raiffeisen Bank International. Further business transactions, especially large banking business transactions with related parties that are natural persons, were not concluded in the reporting period.

The following tables show transactions with related companies. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

<b>30/6/2012</b>	<b>Parent companies</b>	<b>Affiliated companies</b>	<b>Companies valued at equity</b>	<b>Other interests</b>
<i>In € million</i>				
Loans and advances to banks	10,325	262	199	145
Loans and advances to customers	0	1,246	375	300
Trading assets	0	72	8	5
Financial investments	0	343	2	210
Investments in associates	0	0	5	0
Other assets including derivatives	1	13	39	0
Deposits from banks	12,571	324	5,692	92
Deposits from customers	1	670	381	359
Debt securities issued	0	0	0	0
Trading liabilities	0	26	15	2
Other liabilities including derivatives	1	8	0	0
Subordinated capital	50	0	0	0
Guarantees given	0	68	22	20
Guarantees received	0	452	138	3

<b>31/12/2011</b>	<b>Parent companies</b>	<b>Affiliated companies</b>	<b>Companies valued at equity</b>	<b>Other interests</b>
<i>In € million</i>				
Loans and advances to banks	11,017	223	235	214
Loans and advances to customers	0	1,237	406	356
Trading assets	0	29	17	3
Financial investments	0	292	2	301
Investments in associates	0	0	5	0
Other assets including derivatives	1	9	0	1
Deposits from banks	13,006	3	6,002	156
Deposits from customers	1	442	243	563
Debt securities issued	0 <sup>1</sup>	0	0	0
Trading liabilities	0	16	37	2
Other liabilities including derivatives	4	1	1	0
Subordinated capital	52	0	0	0
Guarantees given	0	61	71	23
Guarantees received	0	414	146	3

<sup>1</sup> Adoption of previous year figures due to different allocation

### (34) Fair value of financial instruments reported at fair value

In € million	30/6/2012			31/12/2011		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Trading assets</b>	<b>2,083</b>	<b>9,838</b>	<b>101</b>	<b>2,862</b>	<b>8,630</b>	<b>103</b>
Positive fair values of derivatives <sup>1</sup>	167	9,226	101	167	8,002	103
Shares and other variable-yield securities	197	62	0	198	12	0
Bonds, notes and other fixed-interest securities	1,719	549	0	2,497	610	0
Call/time deposits from trading purposes	0	0	0	0	7	0
Loans held for trading	0	0	0	0	0	0
<b>Financial assets at fair value through profit or loss</b>	<b>6,213</b>	<b>2,669</b>	<b>11</b>	<b>5,056</b>	<b>2,269</b>	<b>35</b>
Shares and other variable-yield securities	133	79	5	130	119	5
Bonds, notes and other fixed-interest securities	6,080	2,590	5	4,926	2,150	30
<b>Financial assets available-for-sale</b>	<b>978</b>	<b>0</b>	<b>0</b>	<b>3,487</b>	<b>0</b>	<b>0</b>
Other interests <sup>2</sup>	69	0	0	65	0	0
Bonds, notes and other fixed-interest securities	909	0	0	3,422	0	0
Shares and other variable-yield securities	0	0	0	0	0	0
<b>Derivatives (hedging)</b>	<b>0</b>	<b>452</b>	<b>0</b>	<b>0</b>	<b>426</b>	<b>0</b>
Positive fair values of derivatives from hedge accounting	0	452	0	0	426	0

<sup>1</sup> Including other derivatives.<sup>2</sup> Includes only securities traded on the stock exchange.

In € million	30/6/2012			31/12/2011		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Trading liabilities</b>	<b>823</b>	<b>10,320</b>	<b>89</b>	<b>671</b>	<b>9,681</b>	<b>112</b>
Negative fair values of derivatives financial instruments <sup>1</sup>	196	9,629	34	105	8,992	57
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	627	0	0	565	0	0
Certificates issued	0	691	55	0	688	55
<b>Liabilities at fair value through profit and loss</b>	<b>0</b>	<b>3,143</b>	<b>0</b>	<b>0</b>	<b>3,346</b>	<b>0</b>
Debt securities issued	0	3,143	0	0	3,346	0
<b>Derivatives (hedging)</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>0</b>
Negative fair values of derivatives from hedge accounting	0	64	0	0	43	0

<sup>1</sup> Including other derivatives.

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

### (35) Regulatory own funds

RBI has no credit institution group of its own according to the Austrian Banking Act (BWG) and is thus not subject to regulatory provisions on a consolidated basis because it is part of the RZB credit institution group. The following figures are for information purposes only.

In the second quarter, the calculation of the consolidated own funds and consolidated own funds requirement has been changed from Austrian (UGB/BWG) to International Accounting Standards. This resulted in an improvement of excess own funds of € 497 million.

The own funds of RBI according to Austrian Banking Act (BWG) 1993/Amendment 2006 (Basel II) break down as follows:

<i>In € million</i>	<b>30/6/2012</b>	<b>31/12/2011</b>
Paid-in capital	5,658	4,933
Earned capital	2,754	3,031
Non-controlling interests	844	1,171
Hybrid tier 1 capital	441	800
Intangible fixed assets	(739)	(501)
<b>Core capital (tier 1 capital)</b>	<b>8,958</b>	<b>9,434</b>
Deductions from core capital	(10)	(19)
<b>Eligible core capital (after deductions)</b>	<b>8,948</b>	<b>9,415</b>
Supplementary capital according to Section 23 (1) 5 BWG	638	599
Provision excess of internal rating approach positions	236	234
Hidden reserves	0	0
Long-term subordinated capital	2,528	2,536
<b>Additional own funds (tier 2 capital)</b>	<b>3,402</b>	<b>3,368</b>
Deduction items: participations, securitizations	(10)	(19)
<b>Eligible additional own funds (after deductions)</b>	<b>3,392</b>	<b>3,349</b>
Deduction items: insurance companies	(7)	(7)
Tier 2 capital available to be redesignated as tier 3 capital	121	100
<b>Total own funds</b>	<b>12,454</b>	<b>12,858</b>
<b>Total own funds requirement</b>	<b>6,754</b>	<b>7,624</b>
Excess own funds	5,700	5,234
Excess cover ratio	84.4%	68.6%
Core tier 1 ratio, total	10.1%	9.0%
Tier 1 ratio, credit risk	12.9%	12.2%
Tier 1 ratio, total	10.6%	9.9%
Own funds ratio	14.8%	13.5%

The total own funds requirement breaks down as follows:

In € million	30/6/2012	31/12/2011
<b>Risk-weighted assets according to section 22 BWG</b>	<b>69,206</b>	<b>77,150</b>
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	5,536	6,172
Standardized approach	2,388	3,056
Internal rating approach	3,148	3,116
Settlement risk	0	0
Own funds requirement for position risk in bonds, equities and commodities	294	520
Own funds requirement for open currency positions	70	140
Own funds requirement for operational risk	855	792
<b>Total own funds requirement</b>	<b>6,754</b>	<b>7,624</b>

### (36) Average number of staff

The average number of staff employed during the reporting period (full-time equivalents) breaks down as follows:

Full-time equivalents	1/1-30/6/2012	1/1-30/6/2011
Austria	2,683	2,677
Foreign	59,000	57,303
<b>Total</b>	<b>61,683</b>	<b>59,980</b>

### (37) Statement of legal representatives

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

Vienna, 23 August 2012

The Management Board

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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, Collections, Credit Services, Group & Austrian IT, Group Project Management Office, International Operations & IT, IT - Markets & Treasury, Lean & Service Excellence, Small Business & Premium Banking and Transaction Services

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Member of the Management Board responsible for Capital Markets, Credit Markets, Institutional Clients and Raiffeisen Research

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