Third Quarter Report 2012

Raiffeisen Bank International

Survey of key data

Raiffeisen Bank International Group Monetary values in € million	2012	Change	2011
Income statement	**1/1-30/9**		**1/1-30/9**
Net interest income	2,596	(4.7)%	2,724
Net provisioning for impairment losses	(623)	(20.2)%	(782)
Net fee and commission income	1,120	(0.4)%	1,125
Net trading income	220	(24.7)%	293
General administrative expenses	(2,336)	2.2%	(2,287)
Profit before tax	1,115	8.1%	1,032
Profit after tax	889	17.0%	760
Consolidated profit	842	13.0%	745
Statement of financial position	**30/9**		**31/12**
Loans and advances to banks	24,777	(3.8)%	25,748
Loans and advances to customers	83,769	2.7%	81,576
Deposits from banks	36,773	(3.2)%	37,992
Deposits from customers	70,942	6.3%	66,747
Equity	11,136	1.8%	10,936
Total assets	147,128	0.1%	146,985
Key ratios	**1/1-30/9**		**1/1-30/9**
Return on equity before tax	14.1%	0.4 PP	13.6%
Return on equity after tax	11.2%	1.2 PP	10.0%
Consolidated return on equity	11.7%	0.7 PP	11.0%
Cost/income ratio	60.1%	4.4 PP	55.8%
Return on assets before tax	1.00%	0.01 PP	0.99%
Net interest margin	2.32%	(0.29) PP	2.61%
NPL ratio	10.0%	1.6 PP	8.4%
Provisioning ratio (average risk-weighted assets, credit risk)	1.16%	(0.19) PP	1.36%
Provisioning ratio (average loans)	1.00%	(0.32) PP	1.32%
Bank-specific information[1]	**30/9**		**31/12**
Risk-weighted assets (credit risk)	68,781	(10.8)%	77,150
Total own funds	12,416	(3.4)%	12,858
Total own funds requirement	6,723	(11.8)%	7,624
Excess cover ratio	84.7%	16.0 PP	68.6%
Core tier 1 ratio, total	10.2%	1.1 PP	9.0%
Tier 1 ratio, credit risk	13.1%	0.9 PP	12.2%
Tier 1 ratio, total	10.7%	0.8 PP	9.9%
Own funds ratio	14.8%	1.3 PP	13.5%
Stock data	**1/1-30/9**		**1/1-30/9**
Earnings per share in €	3.55	16.1%	3.06
Closing price in € (30/9)	28.19	27.2%	22.16
High (closing prices) in €	29.29	(35.1)%	45.10
Low (closing prices) in €	18.64	(2.9)%	19.19
Number of shares in million (30/9)	195.51	–	195.51
Market capitalization in € million (30/9)	5,510	27.2%	4,331
Resources	**30/9**		**31/12**
Number of employees as of reporting date	60,632	2.3%	59,261
Business outlets	3,115	6.4%	2,928
Number of customers in million	14.1	1.8%	13.8

[1] 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.

Content

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

Despite the debt crisis, positive dynamics in the capital markets

At the beginning of the third quarter of 2012, despite a more positive mood, the capital markets were initially still affected by the European debt crisis. The downgrade of Italy by rating agency Moody's in the middle of July, for instance, was followed by a downgrade of 13 Italian banks. When individual provinces in Spain requested financial aid from the central government, yields on the country's ten-year bonds rose beyond the seven per cent mark. The markets were further distressed by concerns that Greece would not be able to meet the requirements placed on its austerity program by the troika of the European Central Bank (ECB), International Monetary Fund (IMF) and European Commission. Against this backdrop, the EU summit's decision at the end of June – calling for unexpectedly far-reaching measures to combat the debt crisis – and the signals in July from the ECB as well as from the German and French governments that they were willing to save the euro, constituted only a limited source of relief.

Unexpectedly good labor market data from the USA provided a positive impetus at the start of August, but was overshadowed soon thereafter by surprisingly poor trade figures from China. Another adverse effect on the markets was caused by the disagreement on whether the European Stability Mechanism (ESM) should receive a banking license, which would enable it to borrow unlimited funds from the ECB. However, sentiment improved later when the German constitutional court announced its decision that the ESM was in principle constitutional, thus enabling the rescue fund to begin its work.

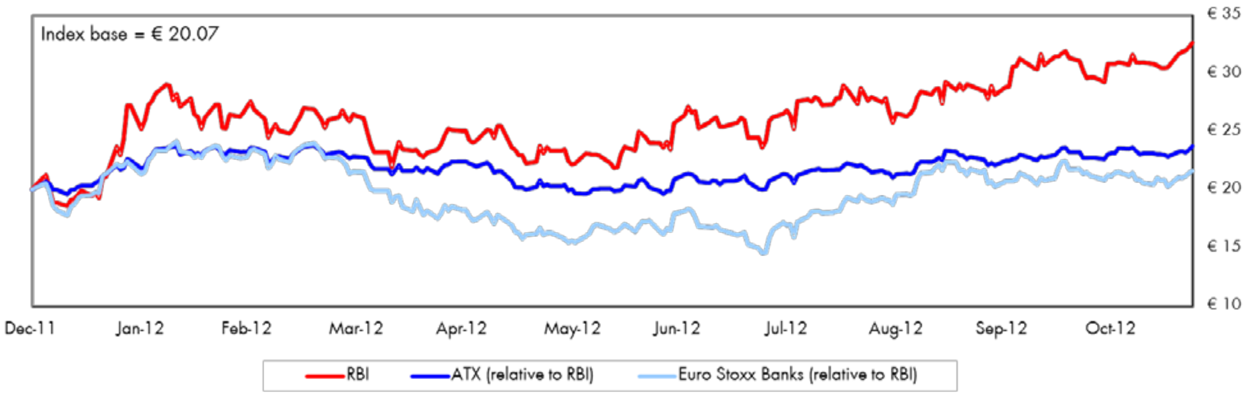
At the beginning of September, Moody's announcement that it was lowering the outlook for the EU's credit rating from stable to negative, as well as moderate European economic data – particularly from Southern Europe – had another negative effect. This news was offset by the positive influence from the ECB's announcement that it intended to purchase bonds of distressed countries in unlimited quantities. The central banks of the USA and Japan decided in the same month to ease monetary policy even further, sparking a rally on the capital markets.

Development of RBI shares

RBI shares gained 9.5 per cent in the third quarter, thus exceeding the performance of the ATX, which rose by only 5.8 per cent during the same period. In contrast, the EURO STOXX Banks index increased by 12.8 per cent.

After starting the month of July at € 25.75, the RBI share price – driven primarily by negative developments in Spain and Greece – fell to € 23.66 on 24 July 2012, its lowest point in the previous quarter. The stock benefited thereafter from positive sentiment in the capital markets and reached an interim high of € 29.01 in the middle of August. Buoyed by the ECB's announcement that it would purchase bonds of distressed countries in unlimited quantities, the RBI share price, after a brief dip, reached its quarterly high of € 29.29 on 14 September. Subsequently, it dropped to € 28.19 by the last day of trading in the third quarter. However, following the end of the reporting period, the share price rose again and traded at € 32.69 as of the editorial deadline of this report on 23 November 2012.

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



Successful bond issues

The bond markets were boosted by the agreement reached during the EU summit at the end of June, calling for a growth and jobs pact with investments of € 120 billion, as well as by the consensus achieved at this summit that the Eurozone's rescue fund may provide capital directly to distressed banks. RBI took advantage of this positive market environment by issuing a five-year benchmark bond with a volume of € 750 million at the beginning of July.

Following the end of the quarter, RBI issued a ten-year subordinated bond for CHF 250 million. In addition, on 10 October the bank invited the holders of a supplementary capital bond with a first right of termination by the issuer at the end of October 2012 to exchange their securities for a new, callable subordinated RBI bond. Holders of approximately 50 per cent of the issues accepted the exchange offer, with the new bond being issued for a par value of about € 290 million. Although the new bond offered creditors a higher yield – compared with the conditions following termination date – RBI's benefit from the exchange was that the bond will probably be fully recognized as regulatory tier 2 capital until the first potential call date in five years.

Active capital market communication

In the third quarter of 2012, RBI offered interested investors the opportunity to obtain information personally at roadshows in Paris, Hong Kong and Singapore. Additionally, the Management Board provided an update on current company developments to institutional investors at an investor conference in London at the end of September. Directly after the conference, RBI held an analysts' meeting attended by 21 of the 30 equity analysts who cover the bank. Besides the 30 equity analysts, 16 bond analysts cover RBI, making it the most widely covered company in Austria.

When it announced its half-year results on 29 August 2012, RBI conducted a conference call in which about 150 analysts and investors participated. After the reporting period ended, RBI conducted further roadshows in New York and once again in Singapore and Hong Kong. Moreover, it was represented at an investor conference in Stegersbach, Austria.

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

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 around 78.5 per cent of RBI's shares, with the remaining shares in free float.

Price as of 30 September 2012	€ 28.19
High/low (closing prices) in third quarter 2012	€ 29.29 / € 23.66
Earnings per share from 1 January to 30 September 2012	€ 3.55
Market capitalization as of 30 September 2012	€ 5.510 billion
Average daily volume (single counting) in third quarter 2012	147,517 shares
Stock exchange trading (single counting) in third quarter 2012	€ 257 million
Free float as of 30 September 2012	approx. 21.5%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as of 30 September 2012	195,505,124

Rating details

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

Financial calendar 2013

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

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Group management report

Market development

Economic slowdown in CEE

Compared to the prior year, economic growth in Central and Eastern Europe (CEE) – dominated by developments in the Eurozone – has generally been slowing in 2012. Growth of 1.1 per cent p.a. is forecast this year for Central Europe (CE), whereas an increase of only 0.1 per cent is expected for Southeastern Europe (SEE). Forecasts continue to be most optimistic about the Commonwealth of Independent States (CIS), where the economy is expected to grow by 3.4 per cent. Thus the economy in the overall CEE region should increase by 2.4 per cent in 2012, after 3.7 per cent in the previous year.

The economic performance of the CE region (Czech Republic, Hungary, Poland, Slovakia, and Slovenia) remains uneven. While in particular Poland and Slovakia continue to grow robustly, despite a slowdown compared to 2011, economic development in the remaining CE countries is very subdued. Due to ongoing austerity measures, as well as to structural problems, the Czech Republic, Hungary and Slovenia are likely to suffer a decline in economic output in 2012 compared with last year. In general, the CE region remains strongly dependent on exports, particularly to the Eurozone. All in all, economic growth of 1.1 per cent is expected for CE in 2012, improving slightly to 1.6 per cent in 2013.

In the SEE region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia), which is generally most affected by the recession in the Eurozone countries of Southern Europe, economic growth in 2012 is likely to be minimal at around 0.1 per cent. This is due not only to declining exports to neighboring Eurozone countries in Southern Europe which have come under pressure, but also to cautious financial markets, meaning that direct foreign investment remains modest. There is still little positive to say about the situation in the Balkans. Of all SEE countries, Bulgaria was the only one to grow since mid-2010. In Romania, weak agricultural production, a contraction in the construction sector and a likely zero growth rate in industrial output all contribute to a decline in GDP in the second half of 2012. Croatia and Serbia also suffered a contraction of 2.0 per cent and 1.8 per cent, respectively, in the first three quarters of 2012. In Bosnia and Herzegovina as well as in Albania, economic performance was likewise subdued – however, no quarterly GDP data are available for the latter two countries. Overall, it is likely that the economy will be flat during 2012 in Croatia, Serbia, and Bosnia and Herzegovina, and in 2013 only a moderate economic recovery is realistic, with real GDP growth of 1.6 per cent forecast for the coming year.

Compared to CE and SEE, the CIS region (Belarus, Russia and Ukraine) is less dependent on developments in the Eurozone, resulting in a more limited impact from the Eurozone’s weak economic growth. Russia continued to benefit from high oil prices, whereas Ukraine suffers from the slowdown in the steel industry. As growth in the second half of 2012 will probably be weaker than in the first, the economy in this region is expected to grow only 3.4 per cent in the full year 2012. On account of the improved outlook for the Eurozone, however, the region's GDP is forecast to grow at a slightly higher rate of 3.8 per cent in 2013.

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

Region/country	2011	2012e	2013f	2014f
Czech Republic	1.7	(0.9)	0.5	1.8
Hungary	1.6	(1.0)	0.5	1.5
Poland	4.3	2.5	2.5	3.8
Slovakia	3.3	2.4	2.0	3.0
Slovenia	(0.2)	(1.3)	(1.0)	1.0
CE	**3.1**	**1.1**	**1.6**	**2.8**
Albania	3.1	2.0	3.0	4.0
Bosnia and Herzegovina	1.3	(1.0)	0.5	2.0
Bulgaria	1.7	1.5	1.5	3.5
Croatia	0.0	(1.8)	1.0	2.0
Kosovo	4.5	3.0	4.0	4.0
Romania	2.5	0.5	2.0	3.0
Serbia	1.6	(1.0)	1.0	2.0
SEE	**1.8**	**0.1**	**1.6**	**2.8**
Belarus	5.3	2.0	3.0	4.0
Russia	4.3	3.7	3.9	4.0
Ukraine	5.2	0.5	2.5	4.5
CIS	**4.4**	**3.4**	**3.8**	**4.0**
CEE	**3.7**	**2.4**	**2.9**	**3.6**
Austria	**2.7**	**1.0**	**0.9**	**1.5**
Germany	**3.1**	**0.7**	**0.8**	**1.3**
Eurozone	**1.5**	**(0.5)**	**0.2**	**1.1**

Effects on the banking sector

Non-performing loans stabilized during 2011 in several of the large CEE banking markets (Russia, the Czech Republic, Slovakia and Ukraine), and this trend continued in the first half of 2012. In Poland, however, loan quality has suffered from the slowdown in the overheated construction sector. Non-performing loans also continue to increase in Hungary, Slovenia and most of the SEE countries. The picture in regards to credit and deposit growth is more positive: In most CE markets and Russia, deposits are increasing at least as much as loans. Consequently, signs point to a further recovery in lending volume and bank assets, particularly in the CEE banking markets with significant growth potential such as Poland, Slovakia, the Czech Republic and Russia. In contrast, credit growth has been subdued in Hungary, Slovenia and the SEE region. All in all, CEE credit growth on a euro basis – at 13.1 per cent in 2011 – roughly conformed to the 2010 level (15 per cent). Similar growth rates – in line with corresponding increases in deposits – seem also possible long-term.

Earnings, financial and assets position

Consolidated profit up 13 per cent

Significantly lower net provisioning for impairment losses as well as other results characterized by one-off effects led to an 8 per cent or € 83 million year-on-year rise in profit before tax to € 1,115 million for the first nine months of 2012. The other results comprised net gains of € 156 million generated mainly in the first half of the year by the sale of securities from the available-for-sale (AfS) portfolio held by Group head office and a € 113 million profit generated by the buy-back of hybrid bonds (hybrid tier 1 capital). Consolidated profit rose by 13 per cent or € 97 million to € 842 million primarily as a result of lower taxes which were partially offset by the rise in non-controlling interests.

In the first nine months of 2012, RBI generated an operating result of € 1,549 million, which thus remained 15 per cent or € 264 million below the comparable figure of the previous year. Operating income decreased by 5 per cent, mainly as a result of lower net interest income and a weaker net trading income. General administrative expenses rose by 2 per cent, driven primarily by staff expenses. Compared to the previous quarter, the operating result contracted by 18 per cent, primarily due to the strong decline in net trading income and higher general administrative expenses.

Acquisition of Polbank in the second quarter

On 30 April 2012, the formal closing took place for the acquisition of a 70 per cent stake in Polbank EFG S.A., (Polbank), Warsaw. Polbank was initially included in the consolidated financial statements effective 1 May 2012.

Operating income weighed down by net interest and trading income

Compared to the previous year's period, operating income contracted by € 214 million to € 3,885 million in the first nine months of 2012. This decline is primarily attributable to lower net interest income (minus € 128 million), on account of slightly lower interest margins and lower business volume, as well as lower net trading income (minus € 72 million).

Net provisioning for impairment losses at € 623 million

Compared to the same period last year, net provisioning for impairment losses contracted by € 158 million to € 623 million in the first nine months of 2012. Sharp declines happened primarily in Hungary (minus € 226 million) where loan loss provisions are, however, still at a high level. Russia posted a significant contraction of € 34 million compared with the same period last year. Various individual cases resulted in new allocations to loan loss provisions for corporate customers in Slovakia, Romania, Poland, China and at Group head office. The rise in Poland resulted from the first-time consolidation of Polbank, among other factors.

Non-performing loans (NPL) to non-banks have grown by € 1,285 million to € 8,340 million since the beginning of the year. At initial consolidation, non-performing loans held by Polbank amounted to € 478 million. At this point, Polbank had a coverage ratio (loan loss provisions in relation to NPL without taking collateral into account) of 89 per cent. Currency effects caused a further € 159 million growth in the NPL portfolio. The € 621 million in growth in NPL – adjusted for Polbank and currency effects – occurred mainly because of individual cases among large customers. Accordingly, the NPL ratio rose by 1.6 percentage points year to date to 10.0 per cent. The coverage ratio declined by 2.6 percentage points to 65.8 per cent.

ROE before tax at 14 per cent

The return on equity (ROE) before tax for the first nine months of 2012 was 14.1 per cent, based on profit before tax of € 1,115 million (up 8 per cent) and average equity of € 10.6 billion (up 5 per cent). ROE was therefore 0.4 percentage points higher than in the same period in the previous year.

Earnings per share plus € 0.49

Consolidated profit less dividend for participation capital was € 692 million. Based on the average number of shares totaling 194.8 million, this resulted in earnings per share of € 3.55, up € 0.49 versus the same period in the previous year.

Total assets constant

RBI's total assets amounted to € 147.1 billion as of 30 September 2012, slightly above the value at year-end 2011. Total assets increased by € 6.0 billion as a result of the initial consolidation of Polbank and by € 0.9 billion due to currency effects, although the securities portfolio decreased considerably. 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 to year-end 2011.

Comparison of results year-on-year

In € million	1/1-30/9 2012	1/1-30/9 2011	Change absolute	Change in %
Net interest income	2,596	2,724	(128)	(4.7)%
Net fee and commission income	1,120	1,125	(4)	(0.4)%
Net trading income	220	293	(72)	(24.7)%
Other net operating income	(52)	(42)	(10)	23.6%
Operating income	**3,885**	**4,099**	**(214)**	**(5.2)%**
Staff expenses	(1,178)	(1,141)	(37)	3.3%
Other administrative expenses	(884)	(884)	1	(0.1)%
Depreciation	(274)	(262)	(13)	4.9%
General administrative expenses	**(2,336)**	**(2,287)**	**(49)**	**2.2%**
Operating result	**1,549**	**1,813**	**(264)**	**(14.6)%**
Net provisioning for impairment losses	(623)	(782)	158	(20.2)%
Other results	190	1	189	>500.0%
Profit before tax	**1,115**	**1,032**	**83**	**8.1%**
Income taxes	(226)	(272)	46	(16.8)%
Profit after tax	**889**	**760**	**129**	**17.0%**
Profit attributable to non-controlling interests	(47)	(14)	(32)	225.5%
Consolidated profit	**842**	**745**	**97**	**13.0%**

Net interest income

In the first nine months of 2012, net interest income contracted by 5 per cent or € 128 million to € 2,596 million year-on-year. At 67 per cent (up 1 percentage point) of total operating income, it remains the largest earnings component. The decrease compared to the same period in the previous year was primarily attributable to lower interest income as a result of sales of securities, lower interest margins – primarily on loans and advances to banks – as well as low returns generated on the investment of excess liquidity at Group head office. Year-on-year, the net interest margin (the ratio of net interest income to average total assets) fell by 29 basis points to 2.32 per cent.

In Hungary, net interest income fell due to decreasing private customer volumes as well as higher refinancing costs. In Russia, by contrast, the trend was positive: Net interest income increased due to higher volumes and modest improvements in margins on customer loans as well as higher income from derivative financial instruments. The net interest margin in Russia rose by 30 basis points to 4.75 per cent. The interest margin in Ukraine rose by 65 basis points to 6.79 per cent on account of the appreciation of the local currency as well as more favorable refinancing.

Net fee and commission income
Net fee and commission income decreased slightly compared to the same period of the previous year, by € 4 million to € 1,120 million. Lower credit fees in Romania as well as lower volumes in Hungary had a negative effect on net income from loan and guarantee business, reducing it by 14 per cent or € 30 million. Net income from the payment transfer business performed well due to an increase in volume – largely in Russia and Ukraine – rising 7 per cent or € 33 million to € 486 million. Net income from foreign currency, notes/coins and precious-metals business also rose by 9 per cent or € 21 million due to growing volumes. Net income from securities business contracted by 8 per cent to € 86 million due to lower transaction volumes. Additional fees reduced net income from the management of investment and pension funds by 22 per cent or € 5 million.

Net trading income
Net trading income declined by 25 per cent or € 72 million to € 220 million. Even though currency-based transaction volumes rose at Group head office, the high volatility on the foreign exchange markets ultimately led to a valuation loss of € 60 million. The decline was further due to valuation losses for derivative financial instruments in Hungary. In Belarus, the result was primarily impacted by hyperinflation. In the comparable period, however, net trading income had been extraordinarily high on account of a strategic currency hedge and the performance of the Belarusian rouble.

Other net operating income
Other net operating income fell from minus € 42 million in the previous year's period to minus € 52 million in the reporting period. This 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 Croatia, Hungary and Russia, had a positive impact on net operating income.

General administrative expenses
General administrative expenses rose by € 49 million to € 2,336 million compared to the same period in the previous year. Excluding Polbank, a reduction would have been achieved. The cost/income ratio rose by 4.4 percentage points to 60.1 per cent due to lower income.

The largest item under general administrative expenses was staff expenses, accounting for 50 per cent, and rising in total by 3 per cent or € 37 million to € 1,178 million. While staff expenses grew in Russia due to salary increases, they declined in Hungary, the Czech Republic and Romania.

The average number of staff increased year-on-year by 1,639 to 61,645. This was due to the first-time consolidation of Polbank (up 3,310 employees) as well as additions in Albania (up 83 employees) and Slovakia (up 60 employees). These increases were offset by headcount reductions in Ukraine (minus 574 employees), Russia (minus 453 employees), Romania (minus 266 employees), Hungary (minus 237 employees), Croatia (minus 75 employees) and Bulgaria (minus 68 employees). Excluding Polbank, a reduction of staff of 1,671 would have been achieved.

Other administrative expenses remained on the same level as the previous year's period at € 884 million. The largest declines were in advertising, PR and promotional expenses (minus 26 per cent), legal, advisory and consulting expenses (minus 11 per cent) and communications expenses (minus 4 per cent). By contrast, the largest increases were in IT expenses (up 12 per cent) and office space expenses (up 4 per cent). The consolidation of Polbank also resulted in an increase in other administrative expenses in Poland.

Depreciation of tangible and intangible fixed assets rose 5 per cent or € 13 million to € 274 million. This was largely attributable to the implementation of new software, particularly a core banking system in Ukraine.

Net provisioning for impairment losses

Net provisioning for impairment losses fell compared with the same period in the previous year by € 158 million to € 623 million. Risk cost developments differed from country to country. In the first nine months of 2012, provisioning in Hungary was considerably lower than in 2011. Consequently, net provisioning for impairment losses declined by € 226 million compared to the previous year's period and came in at € 147 million. This was primarily due to net provisioning for impairment losses in the prior year's period that had resulted from the early repayment of foreign currency mortgage loans at a statutory exchange rate that had been considerably below the market rate. In Russia, loan loss provisions were released as a result of an improvement in customer ratings. Net provisioning for impairment losses rose considerably in Poland (up € 41 million), also due to the first-time consolidation of Polbank. Various individual cases in Slovakia, Romania, China and at Group head office gave rise to new provisions for impairment losses for corporate customers.

The provisioning ratio, based on the average volume of loans and advances to customers, contracted by 0.32 percentage points to 1.00 per cent.

Other results

Other results, which consist of net income from derivatives and liabilities, net income from financial investments and net income from disposal of group assets, increased by € 189 million to € 190 million compared to the same period last year.

Net income from financial investments turned from minus € 146 million in the previous year's period to plus € 299 million in the reporting period and was influenced by a one-off effect. The sale of government bonds from the available-for-sale (AfS) securities portfolio at Group head office resulted in net sale proceeds of € 156 million. Moreover, income of € 65 million was generated from the sale of securities from the fair value portfolio, primarily at Group head office. The valuation of securities in the fair value portfolio furthermore resulted in a gain of € 65 million in the first nine months of 2012, while a € 96 million loss had been recorded in the same period in the previous year. Valuation gains from equity participations also increased by € 67 million, attributable to a one-off effect in the previous year's period.

Net income from derivatives and liabilities moved in the opposite direction. After a positive result of € 149 million in the prior year's period, the reporting period saw a loss of € 108 million. This was primarily driven by instruments classified under the fair value option. Net income from liabilities designated at fair value deteriorated from plus € 51 million in the previous year's period to minus € 268 million, although this was offset by valuation gains on other 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 higher credit spread amounted to only minus € 72 million. A further € 113 million was generated from the buy-back of hybrid bonds.

Income taxes

Tax expenses fell compared to the previous year's period by € 46 million to € 226 million. The tax rate amounted to 20 per cent (comparable period in 2011: 26 per cent). The decline is mainly attributable to the recognition of deferred tax assets on valuation losses from liabilities and retrospective tax payments in the comparable previous year's period.

Comparison of results with the previous quarter

In € million	Q3/2012	Q2/2012	Change absolute	Change in %
Net interest income	834	886[1]	(52)	(5.9)%
Net fee and commission income	400	375	25	6.7%
Net trading income	54	85[1]	(31)	(36.9)%
Other net operating income	(16)	(28)	12	(42.4)%
Operating income	**1,272**	**1,318**	**(47)**	**(3.5)%**
Staff expenses	(411)	(386)	(24)	6.3%
Other administrative expenses	(311)	(289)	(22)	7.7%
Depreciation	(97)	(89)	(7)	8.2%
General administrative expenses	**(818)**	**(764)**	**(54)**	**7.1%**
Operating result	**453**	**554**	**(101)**	**(18.2)%**
Net provisioning for impairment losses	(224)	(247)	23	(9.5)%
Other results	(42)	(64)	22	(35.0)%
Profit before tax	**188**	**243**	**(55)**	**(22.6)%**
Income taxes	(32)	(83)	50	(60.9)%
Profit after tax	**155**	**160**	**(4)**	**(2.7)%**
Profit attributable to non-controlling interests	(14)	0	(14)	–
Consolidated profit	**141**	**160**	**(18)**	**(11.5)%**

[1] Re-classification of a foreign exchange derivative-related interest component.

Net interest income

Compared to the second quarter 2012, net interest income fell by 6 per cent or € 52 million to € 834 million in the third quarter. The net interest margin contracted quarter-on-quarter by 12 basis points to 2.23 per cent. This was attributable to lower interest income as a result of the sale of securities at Group head office as well as lower interest income from loans and advances to customers in Romania. However, margins in Russia improved.

Net fee and commission income
Net fee and commission income increased compared to the second quarter of 2012 by € 25 million to € 400 million. Increasing volumes led to a rise in payment transfer business of € 8 million and in net income from agency services for own and third-party products of € 4 million. Services such as debt collection activities drove net income from other banking services up by € 4 million. Income from foreign currency, notes/coins and precious-metals business as well as net income from the securities business both increased by € 3 million.

Net trading income
Net trading income fell by 37 per cent or € 31 million to € 54 million compared to the second quarter. This was primarily due to valuation losses on foreign currency swaps at Group head office and in Hungary.

Other net operating income
Other net operating income in the third quarter of 2012 was minus € 16 million and thus € 12 million higher than in the prior quarter. The main reason for the improvement was the lower bank levy in Hungary against which part of the losses arising from the implementation of the government program for the preferential conversion of foreign currency loans to private individuals could be offset.

General administrative expenses
At € 818 million, general administrative expenses in the third quarter 2012 were € 54 million higher than in the previous quarter at € 764 million.

Staff expenses rose by 6 per cent or € 24 million to € 411 million. The biggest increases were at Group head office, in the Czech Republic and in Poland as a result of the consolidation of Polbank.

Other administrative expenses rose due to several smaller expense positions by 8 per cent or € 22 million to € 311 million.

Depreciation of tangible and intangible assets rose by 8 per cent or € 7 million quarter-on-quarter to € 97 million. This is largely attributable to the implementation of new software, particularly a core banking system in Ukraine.

Net provisioning for impairment losses
Net provisioning for impairment losses declined in the third quarter by € 23 million compared to the prior quarter. Lower provisions were taken primarily in Hungary and Poland, while they increased in Russia due to various individual cases.

Growth in non-performing loans to non-banks was € 51 million in the third quarter 2012 (thereof currency effects: minus € 2 million) and was thus at its lowest level since the beginning of the year. The prior quarter had been primarily characterized by the consolidation of Polbank at the beginning of May and by individual cases in Hungary and Poland. The NPL ratio rose quarter-on-quarter by 0.2 percentage points to 10.0 per cent. The coverage ratio increased slightly to 65.8 per cent.

Other results

Other results improved quarter-on-quarter by € 22 million to minus € 42 million. Net income from financial investments increased by € 54 million quarter-on-quarter, primarily influenced by a valuation gain from securities designated at fair value.

Net income from derivatives and liabilities however deteriorated by € 33 million to minus € 88 million compared to the second quarter. Key attributable factors here included lower net income from other derivatives (decrease of € 24 million) as well as a slightly higher valuation loss from liabilities measured at fair value.

Income taxes

Tax expenses contracted to € 32 million in the third quarter (prior quarter: € 83 million). The recognition of deferred tax assets – primarily on valuation losses from liabilities – resulted in a decrease of the tax rate to 17 per cent compared to 34 per cent in the prior quarter.

Statement of financial position

As of 30 September 2012, RBI's total assets amounted to € 147.1 billion, slightly above the value at year-end 2011. The initial consolidation of Polbank at the beginning of May 2012 increased total assets by € 6.2 billion. Currency effects resulted in an increase of € 0.9 billion. On an organic basis, total consolidated assets declined around 5 per cent.

Assets

In € million	30/9/2012	Share	31/12/2011	Share
Loans and advances to banks (less impairment losses)	24,605	16.7%	25,493	17.3%
Loans and advances to customers (less impairment losses)	78,280	53.2%	76,778	52.2%
Financial investments	17,153	11.7%	19,864	13.5%
Other assets	27,090	18.4%	24,850	16.9%
Total assets	**147,128**	**100.0%**	**146,985**	**100.0%**

The structure of the statement of financial position changed slightly on the assets side since the beginning of the year. Loans and advances to customers increased after deduction of loan loss provisions by € 1.5 billion to € 78.3 billion and account for 53 per cent (up 1 percentage point) of assets, making up the largest part of the assets side. The first-time consolidation of Polbank resulted in an increase in loans and advances to customers (net) – in particular in the retail division – of € 4.8 billion. This stood in contrast to a contraction in loans and advances to corporate customers. Sales of securities – primarily available-for-sale (AfS) securities – reduced the statement of financial position item financial investments by € 2.4 billion (net). Liquid assets continued to rise: The cash reserve, which consists mainly of call deposits at central banks, increased by a further € 2.1 billion to € 13.5 billion.

Equity and liabilities

In € million	30/9/2012	Share	31/12/2011	Share
Deposits from banks	36,773	25.0%	37,992	25.8%
Deposits from customers	70,942	48.2%	66,747	45.4%
Own funds	14,890	10.1%	15,087	10.3%
Other liabilities	24,523	16.7%	27,159	18.5%
Total equity and liabilities	**147,128**	**100.0%**	**146,985**	**100.0%**

Equity and liabilities were characterized by higher deposits from customers (up 6 per cent or € 4.2 billion). Deposits from retail customers, primarily private individuals, increased by € 4.9 billion, largely in the Czech Republic, Poland and Russia. By contrast, deposits from corporate customers contracted by € 0.8 billion, primarily attributable to lower deposits from large customers. Deposits from banks contracted by around 3 per cent or € 1.2 billion. Deposits from commercial banks decreased by € 2.3 billion, half of which was offset by higher deposits from central banks. The statement of financial position item debt securities issued fell by 9 per cent or € 1.3 billion, in particular due to the € 1.25 billion repayment in February 2012 of the second of three government guaranteed bonds issued in 2009. Subordinated capital contracted by € 0.4 billion to € 3.8 billion, mainly on account of the buy-back of hybrid capital in the amount of € 359 million.

The loan/deposit ratio improved by 4 percentage points to 118 per cent since the beginning of the year.

Funding structure

In € million	30/9/2012	Share	31/12/2011	Share
Customer deposits	70,942	56.9%	66,747	54.2%
Medium- and long-term refinancing	23,241	18.7%	23,903	19.4%
Short-term refinancing	26,634	21.4%	28,456	23.1%
Subordinated liabilities	3,754	3.0%	4,151	3.4%
Total	**124,572**	**100.0%**	**123,257**	**100.0%**

In the third quarter, RBI again took active advantage of the money and capital market was thus able to already cover its annual requirement for capital market sensitive funding in full. At the beginning of July, for example, the bank successfully placed a five-year, € 750 million senior benchmark bond – the longest maturity in this magnitude since the start of the financial crisis. Supported by an improved market environment, RBI placed a CHF 250 million subordinated ten-year bond at the beginning of October and undertook an exchange of upper tier 2 capital into subordinated bonds.

By the end of the third quarter, a substantial part of the planned network bank financing was implemented from external sources, mainly through financing from supranational institutions. These make a positive contribution to the performance of the loan-to-local stable funding ratio (LLSFR).

Equity

RBI's equity on the statement of financial position, consisting of consolidated equity, consolidated profit and the capital non-controlling interests, rose by 2 per cent or € 200 million to € 11,136 million compared with year-end 2011. Total comprehensive income was € 1,014 million, which, in addition to profit after tax for the period amounting to € 889 million, consists primarily of exchange rate differences totaling € 208 million and the income on the available-for-sale (AfS) portfolio of minus € 144 million, which was essentially caused 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. Furthermore, equity on the statement of financial position fell by € 245 million due to the purchase of a non-controlling interest of 24 per cent in Raiffeisenbank a.s., Prague, by € 133 million due to the purchase of a non-controlling interest of 13 per cent in Tatra banka, a.s., Bratislava, as well as by € 5 million due to the purchase of a non-controlling interest of 3 per cent in Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo.

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 RZB credit institution group.

Consolidated own funds of RBI pursuant to BWG amounted to € 12,416 million as of 30 September 2012. This represents a year-to-date reduction of 3 per cent or € 442 million. While the impact of the change in calculation methodology to international accounting standards was positive in the second quarter at € 497 million, core capital fell as a result of the purchase by RBI of the 13 per cent stake in Tatra banka a.s., the purchase of the 24 per cent stake in Raiffeisenbank a.s., and from the purchase of a minority stake of 3 per cent in Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo, by a total of € 383 million. The repurchase of hybrid tier 1 capital from external investors reduced core capital by € 359 million. Similarly, the consolidation of Polbank at the beginning of May reduced core capital by € 226 million. Currency trends, on the other hand, had a positive impact of € 198 million: While the Serbian dinar turned in a negative performance, the rise in value of the Ukrainian hryvnia, the Hungarian forint and the Polish zloty resulted in a rise in own funds on balance. Additional own funds contracted by € 24 million to € 3,344 million to come in slightly below the corresponding value from the end of the year. Short-term subordinated capital also contracted by € 1 million to € 99 million.

Own funds compared with an own funds requirement of € 6,723 million; the own funds requirement was lower by € 901 million. This decline resulted primarily from a € 670 million reduction in the own funds requirement for credit risk to € 5,502 million. In addition to decreasing volumes in some markets, measures introduced in connection with the European Banking Authority (EBA) requirements to optimize capital requirements by capital clean-up projects were primarily responsible for the lower figure. Moreover, the change in risk calculation methodology for the Russian subsidiary bank to the IRB approach also had a positive effect. The requirement for the position risk in bonds, equities and commodities fell by € 214 million to € 306 million. This decline occurred in part because of the measures initiated in light of EBA requirements to reduce the bank's non-core business with a focus on market risk positions, and partly because the internal model was updated. Therefore the requirement for open currency positions was halved by € 76 million to € 64 million. The own funds requirement for operational risk rose slightly to come in at € 851 million after € 792 million at the end of the year 2011. In addition to the consolidation of Polbank, higher requirements in RBI AG also contributed to this increase. The consolidation of Polbank increased the own funds requirement by € 298 million.

In total, this resulted in an improvement of the excess cover ratio by 16.0 percentage points to 84.7 per cent or € 5,692 million. Based on total risk, the core tier 1 ratio was 10.2 per cent and the tier 1 ratio was 10.7 per cent. The own funds ratio increased to 14.8 per cent.

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 management of the bank and is continuously 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 strategy

At RBI, there are several credit portfolio committees responsible for the active management of the loan portfolio. These committees 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. The credit portfolio strategies are regularly adjusted to the new market outlook.

In light of the ongoing uncertainty regarding certain European 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 reassessed and limits were reduced where necessary. RBI's total exposure to these governments, municipalities and banks stands at € 1,469 million (31 December 2011: € 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 liquidity buffer of RBI Group.

The management of non-performing loans was once again one of the main focuses of risk management in the period under review. Targets and measures were aimed at an improved early recognition of potential problem cases as well as a quick and efficient reduction in the portfolio of non-performing loans.

Liquidity position

Thanks to its good liquidity position, RBI was hardly affected by the tensions on the international financial markets in 2011. This high degree of stability could be maintained over the first three quarters of 2012. In order to control liquidity risk, RBI uses a long established and proven limit model based on contractual and historically observed cash inflows and outflows that requires high excess liquidity for short-term maturities. For medium and long-term maturities, limits have been established as well, which, in turn, reduce the effect of a possible increase in refinancing cost on RBI's financial results. In addition to the limit model, the impact of potential market and name crisis scenarios (liquidity stress tests) are regularly evaluated too.

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.

Regulatory environment – Basel II and III

In the current business year, RBI continues to deal intensively with regulatory developments. A major part of the changes arises from the EU directive CRD III (Capital Requirements Directive) and the even farther-reaching CRD IV/CRR regulation (Capital Requirements Regulation) proposed by the EU Commission. The potential impact of the new and amended legal regulations on RBI has already been thoroughly analyzed and relevant internal guidelines have also been implemented. Besides the preparations already initiated in connection with the new Basel III regulations, risk management remains focused on the ongoing implementation of the revised Basel II approach in as many areas as possible. 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 next months, 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 € 160 million.

The funding requirement for 2012 is fully covered.

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 at RBI rose by 8 per cent to € 1,115 million compared to the first three quarters of the prior year. The differences in growth among the individual segments, which have been observed since the start of 2012, continued in the third quarter. Profit before tax for the Russia segment, for instance, rose considerably coming from an already high base. Profit before tax increased significantly in Central Europe, too, but from a low base resulting from the difficult economic environment of the previous year. Profit before tax in Southeastern Europe was virtually unchanged year-on-year. By contrast, CIS Other reported a decline in profit. The functional segments, with the exception of Group Markets, posted profit declines year-on-year.

Profit before tax in Central Europe increased from € 13 million to € 152 million due to a reduction in net provisioning for impairment losses in Hungary and despite the first-time consolidation of Polbank. Total assets increased by 17 per cent year-on-year to € 41.6 billion.

The Southeastern Europe region posted a profit before tax of € 261 million in the first three quarters of 2012, virtually unchanged compared to the same period last year. Lower operating income was largely offset by a reduction in general administrative expenses. Total assets in the segment declined by 3 per cent year-on-year to € 21.9 billion.

Russia made the largest regional contribution to earnings, posting a profit before tax of € 485 million. The rise of 69 per cent resulted primarily from an increase in operating income. Total assets in the segment rose by 11 per cent year-on-year to € 15.4 billion.

In the CIS Other segment, profit before tax declined by 43 per cent to € 82 million, mainly due to a decrease in net trading income, which had contained one-off effects in the prior year. Total assets in the segment declined by 6 per cent year-on-year to € 6.4 billion.

In the first three quarters of 2012, the Group Corporates segment posted a 7 per cent decline in profit before tax to € 288 million, caused primarily by an increase in general administrative expenses. Total assets declined by 6 per cent year-on-year to € 20.3 billion.

Profit before tax in the Group Markets segment doubled to € 238 million year-on-year. This increase was attributable mainly to higher other results due to the sale of securities, while operating income was down considerably. Total assets declined by 30 per cent year-on-year to € 20.1 billion.

Profit before tax in the Corporate Center segment declined 52 per cent to € 156 million due to lower other results and despite a rise in net interest income. Total assets increased by 12 per cent year-on-year to € 59.0 billion.

Central Europe

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	1,117	1,218	(8.3)%	375	376	(0.4)%
General administrative expenses	(723)	(708)	2.1%	(264)	(238)	10.9%
Operating result	**394**	**509**	**(22.7)%**	**111**	**139**	**(19.8)%**
Net provisioning for impairment losses	(293)	(484)	(39.5)%	(94)	(124)	(24.0)%
Other results	51	(12)	–	24	9	168.2%
Profit before tax	**152**	**13**	**>500.0%**	**41**	**24**	**71.1%**
Assets	41,601	35,608	16.8%	41,601	41,450	0.4%
Net interest margin	2.68%	3.24%	(0.56) PP	2.55%	2.67%	(0.12) PP
Return on equity before tax	**6.9%**	**0.6%**	**6.3 PP**	**5.5%**	**3.3%**	**2.2 PP**

Profit before tax in Central Europe multiplied from € 13 million to € 152 million in the first three quarters of 2012. On the one hand, the region's profit was improved by considerably lower net provisioning for impairment losses, but on the other hand, the first-time consolidation of Polbank had an adverse effect. Return on equity before tax rose by 6.3 percentage points to 6.9 per cent.

Operating income

The region's net interest income was down overall, falling 9 per cent to € 774 million compared to the same period last year. Hungary posted the largest decline, primarily as a result of early repayment of foreign currency loans. Net interest income here fell by 25 per cent to € 177 million. Thanks to the consolidation of Polbank, net interest income in Poland rose by 30 per cent. In the other countries of the region, an increase in volumes in an extremely competitive environment resulted in higher interest expense on client deposits. With a decline in the net interest margin of 56 basis points to 2.68 per cent, the overall profitability in the segment decreased, while total assets – primarily due to the consolidation of Polbank – increased year-on-year by 17 per cent or € 6.0 billion to € 41.6 billion. Credit risk-weighted assets, by contrast, decreased by 10 per cent from € 23.9 billion to € 21.4 billion.

Net fee and commission income for the segment fell year-on-year by 1 per cent or € 5 million to € 363 million. Net income from payment transfer business rose 2 per cent to € 149 million, while net income from loan and guarantee business declined 12 per cent to € 48 million due to lower business and transaction volumes, primarily in Hungary. Income from foreign currency, notes/coins, and precious-metals business remained nearly unchanged year-on-year at € 111 million.

Net trading income for the Central Europe segment declined year-on-year by 75 per cent to € 7 million. Net income from currency-based transactions fell from € 25 million to € 2 million, with the strongest decline occurring in Hungary due to its valuation result from derivatives. Net income from interest rate-based transactions remained unchanged at € 5 million versus the comparable period.

Other net operating income in the region remained negative, but it improved in the first three quarters of 2012 from minus € 29 million to minus € 27 million. The improvement was attributable primarily to several minor expense and income items. The initial introduction of a bank levy in Slovakia had an adverse impact on net income of € 18 million. By contrast, the bank levy in Hungary declined by € 13 million due to a partial compensation of the losses from the early repayment of foreign currency loans permitted under the legal framework in Hungary.

General administrative expenses

Compared to the same period last year, the segment's general administrative expenses increased, despite the consolidation of Polbank, by only 2 per cent to € 723 million. A reduction in staff expenses was achieved primarily by reducing locations and the number of employees in Hungary and the Czech Republic. At € 298 million, the segment's other administrative expenses remained virtually unchanged, whereby cost reductions in all of the region’s countries were offset by the consolidation of Polbank. General administrative expenses of € 18 million in the Czech Republic and Slovakia in connection with the business activities of ZUNO Bank, a direct bank, decreased year-on-year by 14 per cent. Depreciation increased by € 8 million to € 78 million mainly because of the Polbank consolidation. The number of business outlets in the segment rose year-on-year by 287 to 848, primarily due to the consolidation of Polbank. Despite an improved cost structure in the segment, the region's cost/income ratio rose 6.6 percentage points to 64.7 per cent because of lower operating income.

Net provisioning for impairment losses

The segment's net provisioning for impairment losses declined by 40 per cent to € 293 million compared to the same period last year. The decline was attributable mainly to Hungary, where the political and economic situation in the comparable period last year required additional individual loan loss provisions, particularly as a result of the legally defined right to premature repayment of foreign currency-denominated personal and mortgage loans at an exchange rate well below the market rate. These provisions were intended to cover the possible losses arising from such repayments and deterioration in loan quality. In total, net allocations to individual loan loss provisions declined year-on-year by 26 per cent to € 285 million. Although they decreased in Hungary, additional provisions were necessary in connection with large corporate customers in Poland and Slovakia, as well as for private individuals in Slovakia. Net allocations to portfolio-based loan loss provisions in the region amounted to € 11 million in the reporting period and therefore decreased by € 90 million in total compared to the same period last year. The largest change occurred in Hungary, because considerably lower net allocations to portfolio-based loan loss provisions were now necessary due to the large number of provisions established in the comparable period last year. Furthermore, the releases of portfolio-based provisions for impairment losses relating to private individuals in the Czech Republic nearly doubled. The share of non-performing loans to non-banks in the Central Europe segment’s loan portfolio amounted to 11.1 per cent at the end of the period under review (an increase of 1.9 percentage points year-on-year).

Other results and taxes

Other results in the Central Europe segment improved from minus € 12 million to plus € 51 million. Due to net valuation gains on securities, the net income from financial investments also improved, from minus € 17 million to plus € 39 million. In Hungary, net valuation gains on municipal bonds made a positive contribution of € 34 million.

Net income from derivatives in the region almost tripled year-on-year to € 14 million. This was attributable to increases in all countries of the region, with the Czech Republic in particular posting net valuation gains on various hedging transactions undertaken to adjust its currency and interest rate structure.

Income taxes for the segment rose by 11 per cent to € 61 million. The tax rate was 40 per cent. As in the comparable period last year, the reason for the high rate lay in Hungary, where losses could not be fully deducted for tax purposes through the recognition of corresponding tax loss carry-forwards.

Profit after non-controlling interests improved year-on-year from minus € 36 million to plus € 72 million.

Below please find the detailed results of the individual countries:

Czech Republic

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	197	214	(7.9)%	64	67	(4.6)%
Net fee and commission income	92	95	(4.0)%	31	31	(1.0)%
Net trading income	5	4	11.6%	1	1	(8.6)%
Other net operating income	5	2	88.7%	3	0	>500.0%
Operating income	**298**	**316**	**(5.7)%**	**99**	**99**	**(0.8)%**
General administrative expenses	(168)	(182)	(7.5)%	(60)	(53)	13.8%
Operating result	**130**	**134**	**(3.3)%**	**38**	**47**	**(17.3)%**
Net provisioning for impairment losses	(35)	(57)	(38.4)%	(15)	(14)	6.7%
Other results	14	13	12.5%	7	1	362.2%
Profit before tax	**109**	**89**	**21.3%**	**30**	**34**	**(11.1)%**
Income taxes	(24)	(20)	18.7%	(7)	(7)	(11.7)%
Profit after tax	**85**	**69**	**22.0%**	**24**	**27**	**(10.9)%**
Assets	9,054	8,988	0.7%	9,054	8,890	1.8%
Loans and advances to customers	6,368	6,799	(6.3)%	6,368	6,289	1.3%
hereof corporate %	43.6%	43.3%	0.3 PP	43.6%	42.9%	0.7 PP
hereof retail %	56.2%	56.6%	(0.4) PP	56.2%	56.8%	(0.7) PP
hereof foreign currency %	6.8%	6.6%	0.2 PP	6.8%	7.0%	(0.1) PP
Deposits from customers	6,317	6,004	5.2%	6,317	6,135	3.0%
Loan/deposit ratio	100.8%	113.2%	(12.4) PP	100.8%	102.5%	(1.7) PP
Return on equity before tax	23.9%	20.7%	3.1 PP	18.5%	20.7%	(2.1) PP
Return on equity after tax	18.6%	16.1%	2.5 PP	14.5%	16.1%	(1.7) PP
Cost/income ratio	56.5%	57.6%	(1.1) PP	61.0%	53.2%	7.8 PP
Number of employees as of reporting date	3,044	3,171	(4.0)%	3,044	3,001	1.4%
Business outlets	132	128	3.1%	132	131	0.8%
Number of customers	487,292	435,751	11.8%	487,292	485,652	0.3%

Hungary

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	177	236	(24.9)%	57	64	(10.8)%
Net fee and commission income	57	68	(15.6)%	20	19	4.1%
Net trading income	(45)	10	–	(26)	(16)	63.2%
Other net operating income	(25)	(50)	(49.2)%	1	(16)	–
Operating income	**164**	**264**	**(37.9)%**	**51**	**51**	**0.7%**
General administrative expenses	(145)	(165)	(12.3)%	(48)	(48)	0.0%
Operating result	**20**	**100**	**(80.4)%**	**3**	**2**	**13.3%**
Net provisioning for impairment losses	(147)	(373)	(60.6)%	(39)	(62)	(37.4)%
Other results	35	(25)	–	19	8	148.7%
Loss before tax	**(93)**	**(299)**	**(69.0)%**	**(17)**	**(52)**	**(67.2)%**
Income taxes	(4)	13	–	3	(7)	–
Loss after tax	**(97)**	**(286)**	**(66.2)%**	**(14)**	**(59)**	**(75.5)%**
Assets	7,401	8,290	(10.7)%	7,401	7,392	0.1%
Loans and advances to customers	5,434	5,919	(8.2)%	5,434	5,493	(1.1)%
hereof corporate %	56.0%	51.9%	4.1 PP	56.0%	54.6%	1.4 PP
hereof retail %	38.6%	45.0%	(6.4) PP	38.6%	40.1%	(1.5) PP
hereof foreign currency %	62.2%	71.3%	(9.1) PP	62.2%	67.4%	(5.2) PP
Deposits from customers	4,984	4,883	2.1%	4,984	4,768	4.5%
Loan/deposit ratio	109.0%	121.2%	(12.2) PP	109.0%	115.2%	(6.2) PP
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	88.1%	62.4%	25.8 PP	94.7%	95.3%	(0.6) PP
Number of employees as of reporting date	2,904	3,188	(8.9)%	2,904	2,916	(0.4)%
Business outlets	125	144	(13.2)%	125	134	(6.7)%
Number of customers	631,653	646,256	(2.3)%	631,653	639,151	(1.2)%

Poland

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	186	147	26.5%	82	61	33.1%
Net fee and commission income	112	102	9.4%	43	38	13.6%
Net trading income	19	17	8.6%	(2)	10	–
Other net operating income	4	11	(61.7)%	(3)	4	–
Operating income	**321**	**278**	**15.5%**	**120**	**114**	**5.9%**
General administrative expenses	(215)	(151)	41.9%	(93)	(72)	28.9%
Operating result	**106**	**127**	**(16.0)%**	**28**	**42**	**(33.6)%**
Net provisioning for impairment losses	(77)	(36)	115.2%	(28)	(41)	(32.2)%
Other results	0	0	490.7%	0	0	–
Profit before tax	**30**	**91**	**(67.5)%**	**0**	**0**	**–**
Income taxes	(8)	(19)	(60.8)%	(1)	(1)	41.8%
Profit/loss after tax	**22**	**71**	**(69.3)%**	**(1)**	**0**	**221.9%**
Assets	13,711	7,234	89.6%	13,711	13,727	(0.1)%
Loans and advances to customers	10,561	5,347	97.5%	10,561	10,588	(0.3)%
hereof corporate %	32.3%	60.6%	(28.2) PP	32.3%	32.0%	0.4 PP
hereof retail %	67.6%	38.6%	29.0 PP	67.6%	68.0%	(0.4) PP
hereof foreign currency %	54.0%	39.7%	14.3 PP	54.0%	54.9%	(0.8) PP
Deposits from customers	7,920	4,098	93.3%	7,920	8,138	(2.7)%
Loan/deposit ratio	133.3%	130.5%	2.9 PP	133.3%	130.1%	3.2 PP
Return on equity before tax	3.7%	17.2%	(13.5) PP	–	–	–
Return on equity after tax	2.7%	13.5%	(10.8) PP	–	–	–
Cost/income ratio	66.9%	54.4%	12.4 PP	76.9%	63.2%	13.7 PP
Number of employees as of reporting date	6,471	3,149	105.5%	6,471	6,218	4.1%
Business outlets	422	116	263.8%	422	443	(4.7)%
Number of customers	891,009	243,900	265.3%	891,009	935,310	(4.7)%

Initial consolidation of Polbank on 1 May 2012

Slovakia

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	217	227	(4.3)%	70	70	(0.8)%
Net fee and commission income	96	97	(0.1)%	33	33	(0.2)%
Net trading income	6	0	–	2	1	74.5%
Other net operating income	(11)	7	–	(9)	0	>500.0%
Operating income	**309**	**331**	**(6.5)%**	**96**	**104**	**(7.6)%**
General administrative expenses	(178)	(190)	(6.4)%	(56)	(58)	(3.8)%
Operating result	**131**	**141**	**(6.6)%**	**40**	**46**	**(12.3)%**
Net provisioning for impairment losses	(24)	(5)	415.2%	(8)	(4)	133.4%
Other results	2	1	150.7%	(2)	0	>500.0%
Profit before tax	**109**	**137**	**(20.2)%**	**30**	**42**	**(28.5)%**
Income taxes	(25)	(28)	(9.2)%	(7)	(9)	(17.5)%
Profit after tax	**84**	**109**	**(23.0)%**	**23**	**33**	**(31.4)%**
Assets	9,794	9,453	3.6%	9,794	9,823	(0.3)%
Loans and advances to customers	6,652	6,536	1.8%	6,652	6,650	0.0%
hereof corporate %	49.5%	53.0%	(3.6) PP	49.5%	50.1%	(0.6) PP
hereof retail %	50.3%	46.7%	3.6 PP	50.3%	49.7%	0.6 PP
hereof foreign currency %	0.7%	1.0%	(0.2) PP	0.7%	1.0%	(0.2) PP
Deposits from customers	7,213	7,037	2.5%	7,213	7,325	(1.5)%
Loan/deposit ratio	92.2%	92.9%	(0.7) PP	92.2%	90.8%	1.4 PP
Return on equity before tax	15.5%	20.8%	(5.4) PP	12.3%	16.4%	(4.1) PP
Return on equity after tax	11.9%	16.6%	(4.7) PP	9.3%	13.0%	(3.7) PP
Cost/income ratio	57.5%	57.4%	0.1 PP	58.4%	56.1%	2.3 PP
Number of employees as of reporting date	3,823	3,807	0.4%	3,823	3,819	0.1%
Business outlets	152	156	(2.6)%	152	152	0.0%
Number of customers	830,408	770,491	7.8%	830,408	818,395	1.5%

Slovenia

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	18	23	(21.3)%	6	6	(0.6)%
Net fee and commission income	6	6	1.6%	2	2	19.4%
Net trading income	0	0	231.1%	0	0	(4.8)%
Other net operating income	0	0	(26.6)%	0	0	(73.1)%
Operating income	**25**	**30**	**(15.8)%**	**8**	**8**	**2.4%**
General administrative expenses	(18)	(20)	(10.5)%	(6)	(6)	3.0%
Operating result	**7**	**9**	**(27.4)%**	**2**	**2**	**0.8%**
Net provisioning for impairment losses	(9)	(13)	(31.4)%	(4)	(3)	43.2%
Other results	0	(1)	(75.2)%	(1)	0	–
Profit/loss before tax	**(3)**	**(5)**	**(50.6)%**	**(2)**	**0**	**359.8%**
Income taxes	0	0	224.3%	0	0	–
Profit/loss after tax	**(2)**	**(5)**	**(53.7)%**	**(2)**	**(1)**	**311.6%**
Assets	1,651	1,668	(1.0)%	1,651	1,629	1.4%
Loans and advances to customers	1,275	1,342	(5.0)%	1,275	1,269	0.4%
hereof corporate %	62.5%	62.4%	0.1 PP	62.5%	62.1%	0.4 PP
hereof retail %	31.3%	31.5%	(0.2) PP	31.3%	31.6%	(0.3) PP
hereof foreign currency %	5.0%	6.7%	(1.7) PP	5.0%	5.5%	(0.5) PP
Deposits from customers	489	402	21.7%	489	467	4.9%
Loan/deposit ratio	260.4%	333.6%	(73.2) PP	260.4%	271.9%	(11.5) PP
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	73.0%	68.7%	4.3 PP	73.5%	73.0%	0.4 PP
Number of employees as of reporting date	321	342	(6.1)%	321	326	(1.5)%
Business outlets	17	17	0.0%	17	17	0.0%
Number of customers	67,914	67,823	0.1%	67,914	67,718	0.3%

Southeastern Europe

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	965	1,016	(5.0)%	318	317	0.5%
General administrative expenses	(516)	(554)	(6.9)%	(174)	(165)	5.7%
Operating result	**449**	**462**	**(2.8)%**	**144**	**152**	**(5.1)%**
Net provisioning for impairment losses	(200)	(194)	3.3%	(72)	(67)	6.9%
Other results	13	(8)	–	1	(9)	–
Profit before tax	**261**	**260**	**0.4%**	**72**	**75**	**(3.6)%**
Assets	21,866	22,630	(3.4)%	21,866	22,292	(1.9)%
Net interest margin	3.87%	4.08%	(0.21) PP	3.68%	3.92%	(0.24) PP
Return on equity before tax	**17.1%**	**17.2%**	**(0.1) PP**	**14.0%**	**14.1%**	**(0.1) PP**

In Southeastern Europe, where economic development was weak, profit before tax at € 261 million remained virtually unchanged compared to the same period last year. Lower operating income was largely offset by a reduction in general administrative expenses. The return on equity before tax decreased slightly by 0.1 percentage points to 17.1 per cent.

Operating income

Net interest income in the segment declined by 5 per cent to € 654 million, which is attributable to developments in several of the region's countries. In Croatia, lending volumes and the margins on new business decreased, while in Bulgaria, an adjustment to the expected cash flows for non-performing loans led to a fall in net interest income. In contrast, an increase in net interest income of 17 per cent in Romania was primarily caused by a reclassification and came at the expense of net fee and commission income, which declined 19 per cent. The segment's net interest margin declined by 21 basis points to 3.87 per cent. Total assets also declined year-on-year; they fell from € 22.6 billion to € 21.9 billion, while risk-weighted assets were down 20 per cent to € 13.2 billion.

Net fee and commission income declined to € 241 million, 12 per cent below the prior year's comparable period. Income from payment transfer business continued to be the biggest contributor with € 131 million, remaining unchanged year-on-year, while income from loan and guarantee business fell by 58 per cent to € 21 million. Developments in Romania were responsible for this reduction; in addition to the reclassification mentioned above, the country's net fee and commission income was down due to lower prices, especially in the retail business. By contrast, 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 € 51 million. Income from the management of investment and pension funds, however, fell by 34 per cent to € 5 million due to the performance in Croatia.

Net trading income for the Southeastern Europe segment rose year-on-year by 63 per cent to € 43 million. Net income from interest rate-based transactions rose considerably to € 28 million; this increase was caused primarily by higher valuation gains on bonds in the trading portfolio in Croatia, which increased due to a reduction in spreads. By contrast, income from currency-based transactions declined to € 15 million, mostly because of a decline in the net valuation result on forward transactions in Romania.

Other net operating income fell by 4 per cent year-on-year to € 27 million. Although the release of other provisions in several of the region's countries had a positive impact, lower new business volume in Croatia caused a decline in income from operating lease business.

General administrative expenses

The segment's general administrative expenses declined year-on-year by 7 per cent to € 516 million. Staff expenses decreased due to personnel cuts, particularly in Romania. Other administrative expenses also declined, falling 7 per cent to € 221 million, which was attributable to reductions in advertising, PR and promotional expenses, primarily in Romania and Croatia. Depreciation in the segment decreased as well, down 13 per cent to € 70 million, mainly due to depreciation on tangible fixed assets and leased assets in Croatia. The cost/income ratio improved by 1.1 percentage points to 53.5 per cent, a result of administrative expenses decreasing more than operating income.

Net provisioning for impairment losses

The segment's net provisioning for impairment losses rose 3 per cent to € 200 million compared to the same period last year. Net allocations to individual loan loss provisions increased by 3 per cent or € 7 million to € 215 million, caused primarily by higher net provisioning in Romania. There were net releases of € 14 million of portfolio-based loan loss provisions during the reporting period; most of these releases occurred in Bulgaria. Furthermore, a revaluation of collateral resulted in an improvement in individual loan loss provisions in Croatia. The share of non-performing loans to non-banks in the segment's loan portfolio increased year-on-year by 2.2 percentage points to 12.5 per cent, particularly due to several individual cases in the corporate customers business.

Other results and taxes

Other results in the segment improved from minus € 8 million to plus € 13 million compared to the same period last year. Net income from financial investments rose from minus € 4 million to plus € 19 million, mainly due to higher gains from the valuation of government bonds in Romania, where a decline in yields occurred, as well as from the sale of corporate bonds in Serbia. Net income from derivatives, by contrast, was down year-on-year by € 2 million to minus € 4 million due to valuation losses in Croatia. Income taxes for the region increased by 1 per cent to € 32 million year-on-year, but the tax rate remained nearly unchanged at 12 per cent.

Profit after non-controlling interests declined by 1 per cent to € 215 million.

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

Albania

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	59	66	(10.6)%	17	20	(13.7)%
Net fee and commission income	6	6	(9.4)%	2	2	5.3%
Net trading income	14	10	34.7%	5	4	38.6%
Other net operating income	0	0	–	0	0	(76.6)%
Operating income	**78**	**82**	**(5.4)%**	**25**	**26**	**(3.5)%**
General administrative expenses	(29)	(27)	6.6%	(10)	(11)	(6.7)%
Operating result	**49**	**55**	**(11.4)%**	**15**	**15**	**(1.2)%**
Net provisioning for impairment losses	(12)	(17)	(29.4)%	(6)	(2)	168.7%
Other results	0	0	–	0	0	–
Profit before tax	**36**	**37**	**(3.1)%**	**9**	**13**	**(30.9)%**
Income taxes	(4)	(4)	(9.9)%	(1)	(1)	(30.4)%
Profit after tax	**32**	**33**	**(2.2)%**	**8**	**11**	**(31.0)%**
Assets	2,361	2,156	9.5%	2,361	2,356	0.2%
Loans and advances to customers	968	855	13.2%	968	977	(1.0)%
hereof corporate %	67.9%	62.2%	5.7 PP	67.9%	67.3%	0.6 PP
hereof retail %	32.1%	37.8%	(5.7) PP	32.1%	32.7%	(0.6) PP
hereof foreign currency %	67.8%	65.5%	2.4 PP	67.8%	67.5%	0.3 PP
Deposits from customers	2,116	1,840	15.0%	2,116	2,085	1.5%
Loan/deposit ratio	45.7%	46.5%	(0.7) PP	45.7%	46.9%	(1.1) PP
Return on equity before tax	27.0%	26.5%	0.6 PP	17.8%	25.1%	(7.3) PP
Return on equity after tax	24.1%	23.4%	0.7 PP	15.8%	22.4%	(6.5) PP
Cost/income ratio	37.6%	33.3%	4.2 PP	40.3%	41.7%	(1.4) PP
Number of employees as of reporting date	1,419	1,378	3.0%	1,419	1,419	0.0%
Business outlets	105	104	1.0%	105	105	0.0%
Number of customers	698,367	689,725	1.3%	698,367	683,625	2.2%

Bosnia and Herzegovina

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	54	59	(7.8)%	18	18	1.7%
Net fee and commission income	23	23	(0.2)%	8	8	3.0%
Net trading income	1	1	36.2%	0	0	17.5%
Other net operating income	0	4	(94.5)%	0	(1)	–
Operating income	**79**	**87**	**(9.0)%**	**27**	**26**	**5.0%**
General administrative expenses	(45)	(47)	(4.2)%	(15)	(15)	0.8%
Operating result	**34**	**39**	**(14.7)%**	**12**	**11**	**11.0%**
Net provisioning for impairment losses	(15)	(12)	23.6%	(4)	(5)	(15.9)%
Other results	2	(1)	–	0	0	(16.1)%
Profit before tax	**20**	**26**	**(22.7)%**	**7**	**5**	**37.4%**
Income taxes	(2)	(2)	37.4%	(1)	(1)	34.6%
Profit after tax	**18**	**24**	**(26.5)%**	**7**	**5**	**37.7%**
Assets	1,990	2,144	(7.2)%	1,990	2,031	(2.0)%
Loans and advances to customers	1,307	1,373	(4.8)%	1,307	1,310	(0.2)%
hereof corporate %	41.7%	43.5%	(1.8) PP	41.7%	41.9%	(0.2) PP
hereof retail %	57.6%	55.2%	2.4 PP	57.6%	57.5%	0.1 PP
hereof foreign currency %	74.7%	73.4%	1.3 PP	74.7%	75.4%	(0.6) PP
Deposits from customers	1,521	1,611	(5.6)%	1,521	1,557	(2.3)%
Loan/deposit ratio	85.9%	85.3%	0.7 PP	85.9%	84.1%	1.8 PP
Return on equity before tax	11.0%	14.3%	(3.3) PP	12.1%	8.5%	3.6 PP
Return on equity after tax	9.8%	13.4%	(3.6) PP	10.8%	7.5%	3.3 PP
Cost/income ratio	57.4%	54.5%	2.9 PP	56.7%	59.0%	(2.3) PP
Number of employees as of reporting date	1,558	1,583	(1.6)%	1,558	1,552	0.4%
Business outlets	98	98	0.0%	98	98	0.0%
Number of customers	489,483	636,818	(23.1)%	489,483	496,347	(1.4)%

Bulgaria

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	103	126	(18.6)%	30	36	(14.5)%
Net fee and commission income	28	28	0.1%	10	9	1.1%
Net trading income	4	6	(30.7)%	2	1	34.8%
Other net operating income	0	0	–	0	0	31.3%
Operating income	**134**	**160**	**(16.2)%**	**42**	**46**	**(10.0)%**
General administrative expenses	(69)	(73)	(5.6)%	(23)	(23)	(2.5)%
Operating result	**65**	**87**	**(25.0)%**	**19**	**23**	**(17.5)%**
Net provisioning for impairment losses	(51)	(50)	2.0%	(22)	(15)	52.7%
Other results	0	0	–	0	0	–
Profit/loss before tax	**14**	**37**	**(61.8)%**	**(3)**	**8**	**–**
Income taxes	(1)	(3)	(73.0)%	1	(1)	–
Profit/loss after tax	**13**	**34**	**(60.7)%**	**(2)**	**8**	**–**
Assets	3,581	3,705	(3.4)%	3,581	3,820	(6.3)%
Loans and advances to customers	2,893	2,927	(1.2)%	2,893	2,901	(0.2)%
hereof corporate %	45.5%	44.0%	1.5 PP	45.5%	44.5%	1.1 PP
hereof retail %	53.9%	55.5%	(1.6) PP	53.9%	55.0%	(1.1) PP
hereof foreign currency %	75.6%	79.5%	(4.0) PP	75.6%	76.2%	(0.6) PP
Deposits from customers	2,227	2,124	4.9%	2,227	2,216	0.5%
Loan/deposit ratio	129.9%	137.8%	(7.9) PP	129.9%	130.9%	(1.0) PP
Return on equity before tax	3.9%	10.2%	(6.3) PP	–	6.6%	–
Return on equity after tax	3.7%	9.3%	(5.6) PP	–	6.1%	–
Cost/income ratio	51.3%	45.6%	5.7 PP	54.1%	49.9%	4.2 PP
Number of employees as of reporting date	3,136	3,346	(6.3)%	3,136	3,151	(0.5)%
Business outlets	184	189	(2.6)%	184	184	0.0%
Number of customers	786,863	763,485	3.1%	786,863	786,667	0.0%

Croatia

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	114	134	(14.9)%	36	39	(7.1)%
Net fee and commission income	43	50	(13.5)%	16	13	19.0%
Net trading income	18	(3)	–	5	7	(29.8)%
Other net operating income	23	19	15.9%	7	7	7.9%
Operating income	**198**	**200**	**(1.2)%**	**64**	**66**	**(2.8)%**
General administrative expenses	(104)	(115)	(9.7)%	(35)	(32)	9.2%
Operating result	**94**	**85**	**10.3%**	**30**	**35**	**(13.9)%**
Net provisioning for impairment losses	(34)	(44)	(22.7)%	(12)	(18)	(35.9)%
Other results	(6)	(6)	1.3%	(4)	(4)	(18.2)%
Profit before tax	**54**	**35**	**52.8%**	**15**	**12**	**20.6%**
Income taxes	(10)	(7)	49.5%	(3)	(2)	40.9%
Profit after tax	**44**	**28**	**53.7%**	**12**	**10**	**16.4%**
Assets	5,293	5,490	(3.6)%	5,293	5,159	2.6%
Loans and advances to customers	3,694	3,809	(3.0)%	3,694	3,710	(0.4)%
hereof corporate %	41.2%	39.2%	2.0 PP	41.2%	41.0%	0.2 PP
hereof retail %	48.2%	49.1%	(1.0) PP	48.2%	48.3%	(0.1) PP
hereof foreign currency %	64.3%	67.8%	(3.5) PP	64.3%	65.4%	(1.1) PP
Deposits from customers	3,159	3,150	0.3%	3,159	2,965	6.5%
Loan/deposit ratio	117.0%	120.9%	(4.0) PP	117.0%	125.1%	(8.2) PP
Return on equity before tax	9.5%	6.0%	3.6 PP	7.7%	6.2%	1.5 PP
Return on equity after tax	7.7%	4.8%	2.9 PP	6.2%	5.2%	1.0 PP
Cost/income ratio	52.6%	57.5%	(5.0) PP	53.8%	47.9%	5.9 PP
Number of employees as of reporting date	2,056	2,102	(2.2)%	2,056	2,070	(0.7)%
Business outlets	79	81	(2.5)%	79	79	0.0%
Number of customers	482,265	538,202	(10.4)%	482,265	487,323	(1.0)%

Kosovo

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	29	29	1.8%	9	10	(1.1)%
Net fee and commission income	6	6	4.5%	2	2	3.2%
Net trading income	0	0	>500.0%	0	0	(7.9)%
Other net operating income	0	0	(24.5)%	0	0	–
Operating income	**35**	**34**	**2.6%**	**12**	**12**	**(1.6)%**
General administrative expenses	(19)	(19)	3.6%	(6)	(6)	(0.3)%
Operating result	**16**	**15**	**1.5%**	**5**	**5**	**(3.1)%**
Net provisioning for impairment losses	(4)	(3)	41.9%	(1)	(2)	(44.8)%
Other results	0	0	–	0	0	52.2%
Profit before tax	**12**	**12**	**(4.5)%**	**4**	**3**	**15.1%**
Income taxes	(1)	(1)	11.4%	0	0	(2.2)%
Profit after tax	**10**	**11**	**(6.2)%**	**4**	**3**	**17.7%**
Assets	649	702	(7.5)%	649	635	2.2%
Loans and advances to customers	427	421	1.3%	427	428	(0.3)%
hereof corporate %	36.2%	32.0%	4.2 PP	36.2%	34.5%	1.7 PP
hereof retail %	63.8%	68.0%	(4.2) PP	63.8%	65.5%	(1.7) PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	524	580	(9.7)%	524	521	0.6%
Loan/deposit ratio	81.4%	72.6%	8.8 PP	81.4%	82.2%	(0.8) PP
Return on equity before tax	17.9%	18.3%	(0.4) PP	18.2%	14.8%	3.4 PP
Return on equity after tax	15.9%	16.5%	(0.6) PP	16.2%	12.9%	3.3 PP
Cost/income ratio	55.5%	55.0%	0.5 PP	55.2%	54.5%	0.7 PP
Number of employees as of reporting date	697	717	(2.8)%	697	708	(1.6)%
Business outlets	54	52	3.8%	54	54	0.0%
Number of customers	269,087	245,849	9.5%	269,087	262,318	2.6%

Romania

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	229	196	17.2%	71	79	(9.9)%
Net fee and commission income	109	134	(18.6)%	42	33	27.2%
Net trading income	7	11	(38.5)%	2	(1)	–
Other net operating income	1	2	(8.3)%	1	0	–
Operating income	**346**	**342**	**1.3%**	**116**	**111**	**5.0%**
General administrative expenses	(194)	(214)	(9.5)%	(66)	(61)	9.4%
Operating result	**153**	**128**	**19.5%**	**50**	**50**	**(0.3)%**
Net provisioning for impairment losses	(74)	(52)	43.2%	(25)	(22)	14.8%
Other results	6	(5)	–	2	(7)	–
Profit before tax	**84**	**71**	**19.3%**	**27**	**22**	**22.8%**
Income taxes	(12)	(11)	13.3%	(4)	(3)	9.0%
Profit after tax	**72**	**60**	**20.4%**	**23**	**18**	**25.3%**
Assets	6,090	6,292	(3.2)%	6,090	6,401	(4.9)%
Loans and advances to customers	4,217	4,404	(4.3)%	4,217	4,223	(0.1)%
hereof corporate %	35.3%	37.3%	(2.1) PP	35.3%	35.4%	(0.1) PP
hereof retail %	62.0%	60.2%	1.8 PP	62.0%	62.3%	(0.3) PP
hereof foreign currency %	56.9%	52.1%	4.8 PP	56.9%	55.3%	1.6 PP
Deposits from customers	3,813	3,758	1.5%	3,813	3,692	3.3%
Loan/deposit ratio	110.6%	117.2%	(6.6) PP	110.6%	114.4%	(3.8) PP
Return on equity before tax	23.4%	19.6%	3.8 PP	21.4%	16.1%	5.2 PP
Return on equity after tax	20.1%	16.6%	3.4 PP	18.4%	13.6%	4.8 PP
Cost/income ratio	55.9%	62.6%	(6.7) PP	57.0%	54.7%	2.3 PP
Number of employees as of reporting date	5,660	6,065	(6.7)%	5,660	5,821	(2.8)%
Business outlets	530	544	(2.6)%	530	541	(2.0)%
Number of customers	1,955,123	1,956,099	0.0%	1,955,123	1,961,283	(0.3)%

Serbia

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	66	81	(17.8)%	21	22	(3.6)%
Net fee and commission income	26	25	1.6%	9	9	(3.8)%
Net trading income	0	2	–	1	(2)	–
Other net operating income	4	3	18.2%	2	2	15.8%
Operating income	**96**	**112**	**(14.3)%**	**33**	**30**	**7.7%**
General administrative expenses	(57)	(59)	(4.6)%	(19)	(17)	10.8%
Operating result	**39**	**52**	**(25.3)%**	**13**	**13**	**3.4%**
Net provisioning for impairment losses	(9)	(15)	(40.4)%	(2)	(4)	(46.0)%
Other results	11	4	170.2%	3	3	2.9%
Profit before tax	**41**	**41**	**(1.5)%**	**14**	**11**	**22.2%**
Income taxes	(3)	(3)	(6.8)%	(1)	(1)	77.2%
Profit after tax	**38**	**38**	**(1.0)%**	**12**	**11**	**18.4%**
Assets	1,975	2,214	(10.8)%	1,975	1,952	1.1%
Loans and advances to customers	1,280	1,348	(5.1)%	1,280	1,241	3.1%
hereof corporate %	55.9%	54.1%	1.9 PP	55.9%	55.2%	0.7 PP
hereof retail %	41.2%	42.8%	(1.6) PP	41.2%	42.0%	(0.7) PP
hereof foreign currency %	67.7%	65.4%	2.3 PP	67.7%	72.0%	(4.3) PP
Deposits from customers	1,165	1,139	2.3%	1,165	1,052	10.8%
Loan/deposit ratio	109.8%	118.4%	(8.5) PP	109.8%	117.9%	(8.1) PP
Return on equity before tax	11.7%	11.1%	0.5 PP	12.5%	10.0%	2.5 PP
Return on equity after tax	10.8%	10.2%	0.6 PP	11.3%	9.4%	1.9 PP
Cost/income ratio	59.2%	53.2%	6.0 PP	59.2%	57.5%	1.7 PP
Number of employees as of reporting date	1,776	1,772	0.2%	1,776	1,761	0.9%
Business outlets	85	85	0.0%	85	84	1.2%
Number of customers	526,210	499,849	5.3%	526,210	517,591	1.7%

Russia

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	834	640	30.4%	279	266	4.8%
General administrative expenses	(360)	(335)	7.5%	(122)	(116)	5.4%
Operating result	**474**	**305**	**55.5%**	**157**	**150**	**4.4%**
Net provisioning for impairment losses	13	(21)	–	(1)	14	–
Other results	(2)	3	–	(3)	10	–
Profit before tax	**485**	**287**	**69.3%**	**153**	**175**	**(12.5)%**
Assets	15,443	13,975	10.5%	15,443	17,041	(9.4)%
Net interest margin	4.75%	4.44%	0.30 PP	4.65%	4.41%	0.24 PP
Return on equity before tax	**43.1%**	**30.3%**	**12.7 PP**	**40.3%**	**45.1%**	**(4.8) PP**

Profit before tax in Russia rose by 69 per cent year-on-year to € 485 million. The increase is attributable to significantly higher operating income and lower net provisioning for impairment losses. Although general administrative expenses rose, productivity improved, leading to a reduction in the cost/income ratio of 9.2 percentage points to 43.2 per cent year-on-year. The return on equity before tax increased significantly by 12.7 percentage points to 43.1 per cent.

Operating income

Net interest income in Russia rose by 28 per cent or € 119 million to € 551 million year-on-year. This growth was based on an expansion of loans to private individuals and large corporate customers since the beginning of 2012, as well as considerably higher interest income from derivatives. The increase in interest income resulted primarily from a higher number of transactions and larger transaction volumes, contributing € 101 million to net interest income. Year-on-year, the segment reported an increase in its net interest margin of 30 basis points to 4.75 per cent, while its total assets rose 11 per cent to € 15.4 billion. By contrast, credit risk-weighted assets decreased by 14 per cent to € 9.7 billion.

The segment's net fee and commission income rose year-on-year by 21 per cent or € 37 million to € 211 million. Income from payment transfer business was 23 per cent higher than in the same period last year, and still provided the largest contribution, at € 74 million, to the segment's 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 € 49 million and € 57 million, respectively.

Net trading income was up 73 per cent year-on-year to € 65 million. Net income from currency-based transactions increased by € 18 million to € 52 million, primarily due to higher revaluation gains on both currency swaps held for proprietary trading and on foreign currency positions. Net income from interest rate-based transactions was also up, increasing € 9 million to € 13 million due to the valuation of the trading book's portfolio amid a lower interest rate environment.

The segment's other net operating income improved from minus € 3 million to plus € 8 million, mostly on account of 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 climbed by 8 per cent to € 360 million. Higher staff expenses due to salary increases at the end of the prior year were primarily responsible for this increase. In addition, other administrative expenses for deposit insurance fees, as well as legal, advisory and consulting expenses increased. The number of business outlets remained nearly unchanged at 193 compared with the same period last year. Thanks to the significant increase in operating income, the cost/income ratio improved by 9.2 percentage points to 43.2 per cent.

Net provisioning for impairment losses

There was a net release of € 13 million of provisions for impairment losses, resulting in a € 34 million improvement over the comparable period last year. Net allocations to individual loan loss provisions increased by € 5 million to € 6 million, primarily in connection with private individuals, while there was a net release of € 17 million of portfolio-based loan loss provisions, resulting in an improvement of € 37 million year-on-year. The release was attributable to an improvement in portfolio quality since new business was generally concluded with better-rated customers and old loans with poorer customer ratings matured. The share of non-performing loans in the loan portfolio decreased year-on-year by 0.1 percentage point to 5.8 per cent.

Other results and taxes

Compared to the same period last year, other results in the Russia segment declined from plus € 3 million to minus € 2 million. Net income from derivatives decreased from € 4 million in the comparable period to minus € 5 million, which was primarily caused by valuation losses on interest rate swap transactions. These had been concluded in order to mitigate interest rate structure risk. Net income from financial investments increased to € 3 million, arising primarily from the sale of securities.

Income taxes in the segment increased to € 103 million, while the tax rate declined by 5.6 percentage points to 21 per cent.

Profit after non-controlling interests increased by 80 per cent to € 379 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 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 the actual equity used.

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	551	432	27.6%	189	178	6.2%
Net fee and commission income	211	174	21.4%	76	71	6.9%
Net trading income	65	37	72.8%	9	15	(40.6)%
Other net operating income	8	(3)	–	5	2	113.0%
Operating income	**834**	**640**	**30.4%**	**279**	**266**	**4.8%**
General administrative expenses	(360)	(335)	7.5%	(122)	(116)	5.4%
Operating result	**474**	**305**	**55.5%**	**157**	**150**	**4.4%**
Net provisioning for impairment losses	13	(21)	–	(1)	14	–
Other results	(2)	3	–	(3)	10	–
Profit before tax	**485**	**286**	**69.3%**	**153**	**175**	**(12.5)%**
Income taxes	(103)	(76)	34.2%	(26)	(39)	(34.8)%
Profit after tax	**383**	**210**	**82.1%**	**127**	**135**	**(6.0)%**
Assets	15,443	13,975	10.5%	15,443	17,041	(9.4)%
Loans and advances to customers	9,113	9,219	(1.2)%	9,113	9,492	(4.0)%
hereof corporate %	64.5%	72.5%	(8.0) PP	64.5%	68.6%	(4.1) PP
hereof retail %	35.5%	27.2%	8.3 PP	35.5%	31.4%	4.1 PP
hereof foreign currency %	47.4%	47.7%	(0.3) PP	47.4%	52.7%	(5.3) PP
Deposits from customers	10,088	9,270	8.8%	10,088	10,625	(5.1)%
Loan/deposit ratio	90.3%	99.5%	(9.1) PP	90.3%	89.3%	1.0 PP
Return on equity before tax	34.5%	21.3%	13.2 PP	31.1%	35.2%	(4.0) PP
Return on equity after tax	27.2%	15.6%	11.6 PP	25.9%	27.3%	(1.3) PP
Cost/income ratio	43.2%	52.4%	(9.2) PP	43.8%	43.6%	0.2 PP
Number of employees as of reporting date	8,018	8,697	(7.8)%	8,018	8,015	0.0%
Business outlets	193	192	0.5%	193	193	0.0%
Number of customers	2,216,261	2,032,056	9.1%	2,216,261	2,283,450	(2.9)%

CIS Other

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	462	498	(7.1)%	163	154	5.7%
General administrative expenses	(278)	(248)	12.1%	(96)	(92)	5.3%
Operating result	**184**	**249**	**(26.2)%**	**67**	**63**	**6.2%**
Net provisioning for impairment losses	(76)	(99)	(23.4)%	(26)	(27)	(4.5)%
Other results	(27)	(8)	228.4%	(14)	(6)	138.5%
Profit before tax	**82**	**142**	**(42.6)%**	**27**	**30**	**(10.7)%**
Assets	6,356	6,758	(6.0)%	6,356	6,518	(2.5)%
Net interest margin	6.49%	6.17%	0.32 PP	6.62%	6.45%	0.17 PP
Return on equity before tax	**14.0%**	**26.6%**	**(12.6) PP**	**13.7%**	**15.3%**	**(1.6) PP**

Profit before tax in the CIS Other segment declined year-on-year by 43 per cent to € 82 million in the first three quarters of 2012. Financial reporting had to be restated in Belarus for at least three fiscal years due to the unstable currency situation in the country and the resulting introduction of hyperinflation accounting in the fourth quarter of 2011. This led to an adverse impact on earnings of € 11 million in the first three quarters of 2012. However, lower net allocations to provisions for impairment losses improved profit considerably. The segment's return on equity before tax fell by 12.6 percentage points to 14.0 per cent.

Operating income

Net interest income in the segment remained virtually unchanged year-on-year at € 317 million. Net interest income in Ukraine increased 6 per cent, primarily as a result of higher income from customer loans thanks to higher margins on assets, but also due to the appreciation of the Ukrainian hryvnia. By contrast, net interest income in Belarus decreased year-on-year as a result of currency trends in combination with the increased share of net interest income in local currency and a decline in loan volume. Total assets in the segment declined by 6 per cent year-on-year to € 6.4 billion. The net interest margin rose 32 basis points to 6.49 per cent. Credit risk-weighted assets decreased by 9 per cent to € 5.1 billion.

The segment's net fee and commission income increased year-on-year by 17 per cent to € 153 million, with the significantly higher income from payment transfer business, at € 111 million, still making the largest contribution. The improvement in income achieved in Ukraine was attributable to the higher number of transactions with both retail and corporate customers. Net income from the Ukrainian Processing Center (UPC) rose in the first three quarters of 2012 by 33 per cent to € 8 million. Moreover, net income from foreign currency, notes/coins and precious-metals business in Belarus climbed 22 per cent year-on-year to € 31 million due to an adjustment of prices for these financial services.

Net trading income in the region went from a profit of € 52 million to a loss of € 5 million year-on-year. This included a decline in net income from currency-based transactions from € 48 million to minus € 6 million. A strategic currency position established in Belarus to hedge equity resulted in a valuation gain of nearly € 1 million, following a gain of € 52 million in the same period last year caused by the devaluation of the Belarusian rouble. Furthermore, the application of hyperinflation accounting in Belarus had an adverse effect of € 16 million on net trading income. Additionally, income from interest rate-based transactions declined year-on-year by € 4 million to below € 1 million. This decline was caused by lower income from the valuation in Ukraine of fixed-income securities.

The segment's other net operating income, consisting of several small expense and income items, decreased 61 per cent year-on-year to minus € 2 million due to lower releases of other provisions.

General administrative expenses

General administrative expenses rose year-on-year by 12 per cent to € 278 million. There was a slight increase in Ukraine on a euro basis, although headcount reductions led to lower expenses on a local currency basis. Depreciation also increased, mainly due to IT investment in a new core banking system in Ukraine and the write-off of the decommissioned systems. Moreover, the restatement of tangible fixed assets in Belarus led to an increase in depreciation. As a result of the decline in operating income together with the overall rise in general administrative expenses and strong appreciation of the Ukrainian hryvnia, the cost/income ratio rose by 10.3 percentage points to 60.2 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the region declined year-on-year by 23 per cent to € 76 million. The decline in net allocations to individual loan loss provisions of € 18 million was caused primarily by an improvement in the portfolio quality with private individuals in Ukraine. As in the same period last year, there was a net release of portfolio-based loan loss provisions, although this year's release totaled € 11 million, twice as high as in the comparable period of the prior year. The primary drivers were considerably lower net allocations to portfolio-based loan loss provisions in Belarus, due to the reduced size of the loan portfolio, as well as higher net releases in Ukraine. The share of non-performing loans in the total loan portfolio stood at 31.3 per cent (up 3.2 percentage points year-on-year) and thus remained the highest among all segments, even though considerable regional differences exist (Belarus: 1.5 per cent, Ukraine: 37.4 per cent).

Other results and taxes

Other results declined considerably year-on-year from minus € 8 million to minus € 27 million, primarily due to a decrease in net income from the valuation of financial investments. 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 € 27 million, mainly because of lower profit before tax in both Belarus and Ukraine. By contrast, the tax rate rose by 6 percentage points to 33 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 declined by 46 per cent to € 51 million.

Belarus

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	50	61	(19.0)%	17	18	(4.7)%
Net fee and commission income	44	36	20.4%	16	16	1.7%
Net trading income	(10)	47	–	(2)	(3)	(31.2)%
Other net operating income	(1)	0	>500.0%	0	0	(48.6)%
Operating income	**82**	**144**	**(42.9)%**	**30**	**30**	**1.9%**
General administrative expenses	(48)	(43)	12.2%	(17)	(17)	1.1%
Operating result	**34**	**101**	**(66.4)%**	**13**	**13**	**3.0%**
Net provisioning for impairment losses	(2)	(21)	(90.8)%	(1)	0	–
Other results	0	0	–	0	0	(85.0)%
Profit before tax	**32**	**80**	**(60.1)%**	**12**	**13**	**(4.6)%**
Income taxes	(12)	(20)	(36.2)%	(4)	(5)	(15.1)%
Profit after tax	**20**	**61**	**(67.7)%**	**8**	**8**	**2.2%**
Assets	1,331	1,347	(1.2)%	1,331	1,314	1.3%
Loans and advances to customers	789	874	(9.8)%	789	795	(0.7)%
hereof corporate %	72.4%	65.9%	6.6 PP	72.4%	74.1%	(1.7) PP
hereof retail %	27.6%	34.1%	(6.6) PP	27.6%	25.9%	1.7 PP
hereof foreign currency %	73.4%	58.4%	15.0 PP	73.4%	74.4%	(0.9) PP
Deposits from customers	850	754	12.8%	850	799	6.4%
Loan/deposit ratio	92.8%	116.0%	(23.2) PP	92.8%	99.4%	(6.7) PP
Return on equity before tax	24.1%	66.6%	(42.5) PP	26.5%	28.9%	(2.5) PP
Return on equity after tax	14.7%	50.5%	(35.7) PP	17.2%	17.6%	(0.4) PP
Cost/income ratio	58.6%	29.8%	28.8 PP	56.5%	57.0%	(0.4) PP
Number of employees as of reporting date	2,168	2,234	(3.0)%	2,168	2,192	(1.1)%
Business outlets	100	96	4.2%	100	100	0.0%
Number of customers	685,846	797,017	(13.9)%	685,846	684,727	0.2%

Ukraine

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Net interest income	266	251	6.1%	89	88	2.0%
Net fee and commission income	109	95	14.8%	40	36	12.5%
Net trading income	5	7	(33.3)%	3	1	225.3%
Other net operating income	(1)	(1)	(2.6)%	0	(1)	(91.8)%
Operating income	**378**	**351**	**7.7%**	**133**	**123**	**7.8%**
General administrative expenses	(230)	(205)	12.1%	(79)	(74)	6.3%
Operating result	**149**	**146**	**1.6%**	**54**	**49**	**10.1%**
Net provisioning for impairment losses	(73)	(78)	(5.6)%	(25)	(26)	(7.0)%
Other results	(27)	(8)	222.3%	(14)	(6)	136.9%
Profit before tax	**48**	**60**	**(19.5)%**	**15**	**16**	**(9.4)%**
Income taxes	(14)	(18)	(21.0)%	(4)	(5)	(19.0)%
Profit after tax	**34**	**42**	**(18.9)%**	**10**	**11**	**(4.9)%**
Assets	4,978	5,341	(6.8)%	4,978	5,148	(3.3)%
Loans and advances to customers	3,932	4,158	(5.4)%	3,932	4,121	(4.6)%
hereof corporate %	51.4%	49.9%	1.5 PP	51.4%	51.0%	0.4 PP
hereof retail %	48.6%	50.1%	(1.5) PP	48.6%	49.0%	(0.4) PP
hereof foreign currency %	53.5%	58.0%	(4.5) PP	53.5%	54.4%	(0.9) PP
Deposits from customers	2,607	2,543	2.5%	2,607	2,684	(2.9)%
Loan/deposit ratio	150.8%	163.5%	(12.6) PP	150.8%	153.5%	(2.7) PP
Return on equity before tax	7.8%	10.6%	(2.8) PP	6.8%	11.1%	(4.3) PP
Return on equity after tax	5.5%	7.4%	(1.9) PP	4.9%	7.6%	(2.7) PP
Cost/income ratio	60.7%	58.4%	2.4 PP	59.6%	60.5%	(0.9) PP
Number of employees as of reporting date	14,493	15,528	(6.7)%	14,493	14,874	(2.6)%
Business outlets	826	917	(9.9)%	826	825	0.1%
Number of customers	3,033,169	3,402,385	(10.9)%	3,033,169	3,126,885	(3.0)%

Group Corporates

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	453	452	0.1%	137	156	(12.1)%
General administrative expenses	(130)	(102)	27.4%	(49)	(46)	4.7%
Operating result	**323**	**350**	**(7.8)%**	**89**	**110**	**(19.2)%**
Net provisioning for impairment losses	(52)	(36)	45.5%	(31)	(21)	49.0%
Other results	18	(6)	–	16	(1)	–
Profit before tax	**288**	**308**	**(6.6)%**	**74**	**89**	**(16.4)%**
Assets	20,293	21,596	(6.0)%	20,293	20,817	(2.5)%
Net interest margin	1.91%	1.91%	0.00 PP	1.82%	1.99%	(0.17) PP
Return on equity before tax	**22.1%**	**24.8%**	**(2.7) PP**	**16.9%**	**19.2%**	**(2.4) PP**

Compared to the same period last year, profit before tax in the Group Corporates segment declined by 7 per cent to € 288 million in the first three quarters of 2012. The reasons for this decline include an increase in general administrative expenses and higher net allocations to provisions for impairment losses. Return on equity before tax decreased by 2.7 percentage points to 22.1 per cent.

Operating income

The segment's net interest income was € 308 million in the first three quarters of 2012, nearly unchanged compared to the same period last year. Despite lower business volumes, an improvement in the margin on assets at Group head office resulted in a solid performance. The business outlets in Asia also posted stable net interest income of € 77 million year-on-year. Net interest income at the Maltese subsidiary was also up, increasing by 15 per cent to € 23 million on account of improved margins. At 1.91 per cent, the net interest margin in the Group Corporates segment was at the same level as in the comparable period of the prior year. Total assets declined year-on-year by 6 per cent or € 1.3 billion to € 20.3 billion due to a reduction in loan volume. By contrast, the reduction in credit risk-weighted assets was somewhat larger, namely 15 per cent to € 12.4 billion.

Net fee and commission income decreased year-on-year by 9 per cent or € 12 million to € 119 million, although income at Group head office increased. This increase was based predominantly on lead-arranger activities associated with bond issues by Austrian and international customers, and income from loan and project finance business, which was particularly strong. At Group units in the USA and Singapore, however, net fee and commission income declined.

Net trading income rose considerably to € 20 million. This increase was caused by higher valuation gains on currency and interest rate-based transactions with financial instruments in the profit centers at Group head office. Net trading income increased at the branch in Malaysia due to gains from the valuation of an option to purchase shares.

General administrative expenses

The segment's general administrative expenses increased year-on-year by 27 per cent to € 130 million, primarily because of the optimization of the cost allocation process at Group head office in 2012. This segment consisted of 8 business outlets at the end of the reporting period. The cost/income ratio increased by 6.1 percentage points to 28.8 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses climbed from € 36 million to € 52 million in the reporting period. Net allocations of € 57 million were recorded in China. By contrast, there was a net release of portfolio-based loan loss provisions of € 34 million at Group head office due to a reduced customer portfolio and an adjustment to historical default rates. The share of non-performing loans in the segment's loan portfolio increased by 0.93 percentage points to 4.6 per cent at the end of the reporting period.

Other results and taxes

Compared to the same period last year, other results in the segment improved from a loss of € 6 million to a profit of € 18 million. Income from financial investments increased because of a non-recurring effect resulting from the sale of shares that had risen considerably in value; these shares had originally been acquired as collateral in connection with a loan agreement. Moreover, other results included income from mark-to-market valuations of corporate bonds held at Group head office and from various securities of the Maltese subsidiary.

Income taxes increased by 12 per cent to € 71 million last year-on-year, while the tax rate rose by 4 percentage points to 25 per cent.

Profit after non-controlling interests declined by 11 per cent to € 217 million.

Group Markets

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	275	374	(26.4)%	88	87	1.5%
General administrative expenses	(192)	(197)	(2.6)%	(65)	(70)	(7.3)%
Operating result	**83**	**176**	**(53.1)%**	**23**	**17**	**38.6%**
Net provisioning for impairment losses	(19)	(8)	143.6%	0	(24)	–
Other results	174	(66)	–	20	16	24.4%
Profit before tax	**238**	**102**	**133.7%**	**44**	**9**	**382.2%**
Assets	20,068	28,565	(29.7)%	20,068	21,840	(8.1)%
Net interest margin	0.70%	0.83%	(0.13) PP	0.82%	0.61%	0.21 PP
Return on equity before tax	**28.0%**	**9.2%**	**18.8 PP**	**14.2%**	**16.6%**	**(2.4) PP**

Profit before tax in the Group Markets segment increased year-on-year by € 136 million to € 238 million, primarily as a result of higher net income from financial investments. The return on equity before tax rose by 18.8 percentage points to 28.0 per cent.

Operating income

Net interest income for the segment fell by 25 per cent to € 128 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, the portfolio's income declined year-on-year by € 67 million to € 15 million. A further reduction in business volume in highly liquid bonds from financial institutions and continued cautious risk positioning weakened net interest income. The segment's total assets declined by 30 per cent year-on-year to € 20.1 billion, while the net interest margin decreased 13 basis points to 0.70 per cent due to the reduction in the high-quality securities portfolio and the significant increase in the volume of repo transactions at Group head office. Credit risk-weighted assets decreased by 44 per cent to € 3.3 billion.

The segment's net fee and commission income fell by 17 per cent to € 76 million compared to the same period last year. The Financial Institutions profit center posted a decline in net fee and commission income due to a decrease in lending volume. However, this decline was partially offset, primarily by higher income from service contracts in cash management and guarantees in export/foreign trade business. Fee and commission income from the Capital Markets profit center decreased primarily as a result of lower business volume. 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, while net fee and commission income of Raiffeisen Centrobank Group remained unchanged at € 7 million due to income from advisory services provided to corporate customers for primary market transactions.

The segment's net trading income fell by 30 per cent to € 62 million in the first three quarters of 2012. Raiffeisen Centrobank contributed a substantial € 37 million to this total, although its contribution was down 3 per cent. This income related primarily to positive valuation gains on certificates and structured bonds issued within the scope of equity and index-linked transactions. 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 valuation loss of € 17 million (minus € 14 million in the same period last year).

Other net operating income halved to € 9 million compared to the previous year's period. This includes Raiffeisen Centrobank Group's income generated mainly from commodity trading through specialized companies in the USA and Germany. This income declined 13 per cent to € 7 million. The results in the comparable period last year still included € 9 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 declined year-on-year by 3 per cent to € 192 million, primarily due to the lower business volume that was used, among other factors, for the cost allocation at Group head office. The decline in operating income led to an increase in the cost/income ratio of 17.1 percentage points to 70.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses rose by € 8 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 1 per cent of the segment's total credit exposure.

Other results and taxes

Compared to the same period last year, other results in the segment improved from minus € 66 million to plus € 174 million. In particular, net income from financial investments increased significantly due to the previously mentioned sale of portions of the Group head office's high-quality securities portfolio. By contrast, net income from derivatives at Group head office was lower than in the previous year because of close-out payments in connection with the aforementioned sale. 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 costs of € 57 million in this segment. The corresponding gain was recorded in the Corporate Center segment.

Income taxes in the segment climbed to € 65 million. The tax rate was 27 per cent, down 2 percentage points year-on-year.

Profit after non-controlling interests rose by 142 per cent to € 173 million.

Corporate Center

In € million	1/1-30/9 2012	1/1-30/9 2011	Change	Q3/2012	Q2/2012	Change
Operating income	465	376	23.7%	5	360	(98.7)%
General administrative expenses	(233)	(205)	14.0%	(81)	(72)	13.5%
Operating result	**232**	**171**	**35.4%**	**(77)**	**289**	**–**
Net provisioning for impairment losses	3	60	(94.7)%	0	1	(84.7)%
Other results	(79)	93	–	(98)	(87)	12.9%
Profit/loss before tax	**156**	**324**	**(51.9)%**	**(175)**	**203**	**–**
Assets	59,018	52,695	12.0%	59,018	61,487	(4.0)%
Net interest margin	1.13%	1.07%	0.05 PP	0.11%	2.59%	(2.49) PP
Return on equity before tax	**8.8%**	**23.0%**	**(0.6) PP**	**–**	**37.1%**	**–**

Compared to the same period last year, profit before tax declined by 52 per cent to € 156 million because of a reduction in other results and lower net releases of loan loss provisions. The return on equity before tax was 8.8 per cent.

Operating income

The segment's net interest income climbed by 37 per cent to € 478 million compared to the same period last year. The increase in net interest income was achieved by a higher internal financing rate used to charge Group units for liquidity costs and despite higher costs for own issues. Intra-Group dividend income was nearly unchanged year-on-year. In contrast, income from internal financing within the RBI network declined year-on-year. On the other hand, expense for own issues in the Treasury profit center at Group head office was lower due to lower outstanding volume, resulting in a positive impact on net interest income. The € 28 million in interest expense for RBI AG's subordinated capital is also reported in this segment. The segment's assets increased by 12 per cent year-on-year to € 59.0 billion, particularly as a result of an increase in liquidity reserves and an organizational shift of a portion of the business volume from Group Markets to the Corporate Center segment. Credit risk-weighted assets increased by 6 per cent to € 18.8 billion.

Net fee and commission income improved by 27 per cent year-on-year to minus € 30 million. This improvement was attributable particularly to lower commission payments by Group head office for country risk insurance policies in connection with financing abroad.

The segment's net trading income went from plus € 49 million to minus € 15 million, a result of valuation losses on various foreign currency and interest rate-based financial instruments held for management purposes. These include lower net income from the valuation of cross-currency interest rate swaps that were concluded to hedge the currency exposure of RBI's financing structure, primarily in connection with US dollar transactions.

The segment's other operating income increased from € 18 million in the previous year’s period to € 32 million, despite the bank levy paid by Group head office, which had an adverse impact on profit totaling € 77 million. This impact was slightly higher than it had been in the comparable period. The primary reasons for this increase were slightly higher internal charges between various Group units and a positive contribution of € 7 million from commodity trading by F.J. Elsner Trading GmbH.

General administrative expenses

General administrative expenses rose by 14 per cent or € 29 million to € 233 million, which was primarily attributable to a reduction in the expense allocation to other functional segments. The only business outlet reported in this segment is the Group head office.

Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role in this segment due to the intra-Group nature of its business activities. However, there was a net release totaling € 3 million of loan loss provisions established in previous years in connection with several customers of the Special Customers profit center at Group head office. This net release, however, was considerably lower year-on-year because in the same period last year, the conversion of a loan had resulted in a release of loan loss provisions totaling € 60 million.

Other results and taxes

Other results fell year-on-year from € 93 million to a loss of € 79 million. On the one hand, net income was positively impacted by income totaling € 57 million from interest rate hedging transactions concluded with the Capital Markets profit center (Group Markets segment) and also by a net gain of € 113 million from the buy-back of a portion of the hybrid tier 1 capital. On the other hand, the valuation of own issues (minus € 72 million) and the valuation of other derivatives negatively impacted net income. Net income from financial investments, which is also included in this figure, improved from a loss of € 78 million to a profit of € 20 million, largely due to valuation gains on securities.

The segment posted a tax income of € 131 million in the period under review, following € 23 million in the period of comparison. This increase was attributable primarily to the dividend income reported in this segment, which is not included in the tax base. Moreover, the increase 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 declined by 17 per cent to € 286 million.

Interim consolidated financial statements

(Interim report as of 30 September 2012)

Statement of comprehensive income

Income statement

In € million	Notes	1/1- 30/9/2012	1/1-30/9/2011	Change
Interest income		4,959	4,857	2.1%
Interest expenses		(2,363)	(2,133)	10.8%
Net interest income	**[2]**	**2,596**	**2,724**	**(4.7)%**
Net provisioning for impairment losses	[3]	(623)	(782)	(20.2)%
Net interest income after provisioning		**1,973**	**1,942**	**1.6%**
Fee and commission income		1,377	1,352	1.9%
Fee and commission expense		(257)	(228)	12.9%
Net fee and commission income	**[4]**	**1,120**	**1,125**	**(0.4)%**
Net trading income	[5]	220	293	(24.7)%
Income from derivatives and liabilities	[6]	(108)	149	–
Net income from financial investments	[7]	299	(146)	–
General administrative expenses	[8]	(2,336)	(2,287)	2.2%
Other net operating income	[9]	(52)	(42)	23.6%
Net income from disposal of group assets		(2)	(3)	(39.8)%
Profit before tax		**1,115**	**1,032**	**8.1%**
Income taxes	[10]	(226)	(272)	(16.8)%
Profit after tax		**889**	**760**	**17.0%**
Profit attributable to non-controlling interests		(47)	(14)	225.5%
Consolidated profit		**842**	**745**	**13.0%**

Transition to total comprehensive income

In € million	Total 1/1-30/9 2012	Total 1/1-30/9 2011	Group equity 1/1-30/9 2012	Group equity 1/1-30/9 2011	Non-controlling interests 1/1-30/9 2012	Non-controlling interests 1/1-30/9 2011
Profit after tax	**889**	**760**	**842**	**745**	**47**	**14**
Exchange differences	208	(350)	182	(327)	26	(23)
hereof unrealized net gains (losses) of the period	208	(327)	182	(327)	26	(23)
Capital hedge	0	15	0	15	0	0
Hyperinflation	26	0	23	0	3	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(1)	(46)	(1)	(46)	0	0
hereof unrealized net gains (losses) of the period	(1)	(46)	(1)	(46)	0	0
Net gains (losses) on financial assets available-for-sale	(144)	(8)	(144)	(8)	0	0
hereof unrealized net gains (losses) of the period	3	(2)	3	(2)	0	0
hereof net gains (losses) reclassified to income statement	(147)	(5)	(147)	(5)	0	0
Deferred taxes on income and expenses directly recognized in equity	36	10	36	10	0	0
hereof net gains (losses) reclassified to income statement	37	0	37	0	0	0
Other comprehensive income	**125**	**(379)**	**96**	**(356)**	**29**	**(23)**
Total comprehensive income	**1,014**	**380**	**939**	**389**	**75**	**(9)**

Earnings per share

In €	1/1- 30/9/2012	1/1-30/9/2011	Change
Earnings per share	3.55	3.06	0.49

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

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

Quarterly results

In € million	Q4/2011	Q1/2012	Q2/2012	Q3/2012
Net interest income	943	875	886	834
Net provisioning for impairment losses	(282)	(153)	(247)	(224)
Net interest income after provisioning	**661**	**722**	**639**	**611**
Net fee and commission income	365	346	375	400
Net trading income	70	82	85	54
Income from derivatives and liabilities	264	35	(55)	(88)
Net income from financial investments	5	261	(8)	46
General administrative expenses	(834)	(753)	(764)	(818)
Other net operating income	(190)	(8)	(28)	(16)
Net income from disposal of group assets	0	0	(2)	0
Profit before tax	**342**	**685**	**243**	**188**
Income taxes	(127)	(111)	(83)	(32)
Profit after tax	**214**	**574**	**160**	**155**
Profit attributable to non-controlling interests	8	(33)	0	(14)
Consolidated profit	**222**	**541**	**160**	**141**

In € million	Q4/2010	Q1/2011	Q2/2011	Q3/2011
Net interest income	871	884	897	943
Net provisioning for impairment losses	(281)	(208)	(197)	(377)
Net interest income after provisioning	**590**	**676**	**700**	**566**
Net fee and commission income	403	357	380	388
Net trading income	70	123	133	37
Income from derivatives and liabilities	43	3	38	108
Net income from financial investments	1	25	(13)	(158)
General administrative expenses	(827)	(753)	(761)	(772)
Other net operating income	11	(24)	(3)	(15)
Net income from disposal of group assets	0	(2)	0	0
Profit before tax	**290**	**405**	**473**	**153**
Income taxes	34	(100)	(101)	(71)
Profit after tax	**324**	**305**	**372**	**82**
Profit attributable to non-controlling interests	(20)	(35)	(27)	48
Consolidated profit	**304**	**270**	**345**	**130**

Statement of financial position

Assets In € million	Notes	30/9/2012	31/12/2011	Change
Cash reserve		13,526	11,402	18.6%
Loans and advances to banks	[12, 33]	24,777	25,748	(3.8)%
Loans and advances to customers	[13, 33]	83,769	81,576	2.7%
Impairment losses on loans and advances	[14]	(5,661)	(5,053)	12.0%
Trading assets	[15, 33]	9,880	10,617	(6.9)%
Derivatives	[16, 33]	1,411	1,405	0.4%
Financial investments	[17, 33]	14,136	16,535	(14.5)%
Investments in associates	[33]	5	5	(3.8)%
Intangible fixed assets	[18]	1,330	1,066	24.8%
Tangible fixed assets	[19]	1,602	1,511	6.0%
Other assets	[20, 33]	2,353	2,174	8.3%
Total assets		**147,128**	**146,985**	**0.1%**

Equity and liabilities In € million	Notes	30/9/2012	31/12/2011	Change
Deposits from banks	[21, 33]	36,773	37,992	(3.2)%
Deposits from customers	[22, 33]	70,942	66,747	6.3%
Debt securities issued	[23, 33]	13,103	14,367	(8.8)%
Provisions for liabilities and charges	[24]	677	771	(12.2)%
Trading liabilities	[25, 33]	8,768	9,715	(9.7)%
Derivatives	[26, 33]	519	792	(34.5)%
Other liabilities	[27, 33]	1,456	1,515	(3.9)%
Subordinated capital	[28]	3,754	4,151	(9.6)%
Equity	[29]	11,136	10,936	1.8%
Consolidated equity		9,406	8,825	6.6%
Consolidated profit		842	968	(12.9)%
Non-controlling interests		888	1,143	(22.3)%
Total equity and liabilities		**147,128**	**146,985**	**0.1%**

Statement of changes in equity

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2012	**593**	**2,500**	**2,571**	**3,161**	**968**	**1,143**	**10,936**
Capital increases	0	0	0	0	0	18	18
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	96	842	75	1,014
Own shares/share incentive program	1	0	6	0	0	0	7
Other changes	0	0	0	(86)	0	(297)	(383)
Equity as of 30/9/2012	**595**	**2,500**	**2,576**	**3,735**	**842**	**888**	**11,136**

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2011	**593**	**2,500**	**2,568**	**2,590**	**1,087**	**1,066**	**10,404**
Capital increases	0	0	0	0	0	54	54
Transferred to retained earnings	0	0	0	683	(683)	0	0
Dividend payments	0	0	0	0	(404)	(58)	(463)
Total comprehensive income	0	0	0	(356)	745	(9)	380
Own shares/share incentive program	0	0	3	0	0	0	3
Other changes	0	0	0	(30)	0	(1)	(31)
Equity as of 30/9/2011	**593**	**2,500**	**2,571**	**2,886**	**745**	**1,052**	**10,348**

Statement of cash flows

In € million	1/1- 30/9/2012	1/1-30/9/2011
Cash and cash equivalents at the end of previous period	**11,402**	**4,807**
Net cash from operating activities	3,339	3,131
Net cash from investing activities	(332)	184
Net cash from financing activities	(874)	(318)
Effect of exchange rate changes	(10)	(270)
Cash and cash equivalents at the end of period	**13,526**	**7,534**

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 elemination 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

1/1-30/9/2012 In € million	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates
Net interest income	774	654	551	317	308
Net fee and commission income	363	241	211	153	119
Net trading income	7	43	65	(5)	20
Other net operating income	(27)	27	8	(2)	6
Operating income	**1,117**	**965**	**834**	**462**	**453**
General administrative expenses	(723)	(516)	(360)	(278)	(130)
Operating result	**394**	**449**	**474**	**184**	**323**
Net provisioning for impairment losses	(293)	(200)	13	(76)	(52)
Other results	51	13	(2)	(27)	18
Profit before tax	**152**	**261**	**485**	**82**	**288**
Income taxes	(61)	(32)	(103)	(27)	(71)
Profit after tax	**91**	**230**	**383**	**54**	**217**
Profit attributable to non-controlling interests	(19)	(15)	(3)	(4)	0
Profit after non-controlling interests	**72**	**215**	**379**	**51**	**217**
Share of profit before tax	9.1%	15.7%	29.2%	4.9%	17.3%
Risk-weighted assets (credit risk)	21,439	13,150	9,700	5,120	12,393
Total own funds requirement	1,916	1,261	935	498	1,061
Assets	41,601	21,866	15,443	6,356	20,293
Liabilities	37,705	18,939	13,066	5,266	14,315
Net interest margin	2.68%	3.87%	4.75%	6.49%	1.91%
NPL ratio	11.1%	12.5%	5.8%	31.3%	4.6%
Coverage ratio	61.8%	59.8%	97.1%	68.5%	61.1%
Cost/income ratio	64.7%	53.5%	43.2%	60.2%	28.8%
Provisioning ratio (average risk-weighted assets, credit risk)	1.86%	1.76%	(0.29)%	1.88%	0.31%
Provisioning ratio (average loans)	1.46%	1.69%	(0.19)%	2.02%	0.20%
Average equity	2,948	2,042	1,502	779	1,734
Return on equity before tax	**6.9%**	**17.1%**	**43.1%**	**14.0%**	**22.1%**
Business outlets	848	1,135	193	927	8

1/1-30/9/2012 In € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	128	478	(614)	2,596
Net fee and commission income	76	(30)	(13)	1,120
Net trading income	62	(15)	44	220
Other net operating income	9	32	(104)	(52)
Operating income	**275**	**465**	**(686)**	**3,885**
General administrative expenses	(192)	(233)	98	(2,336)
Operating result	**83**	**232**	**(588)**	**1,549**
Net provisioning for impairment losses	(19)	3	0	(623)
Other results	174	(79)	42	190
Profit before tax	**238**	**156**	**(546)**	**1,115**
Income taxes	(65)	131	0	(226)
Profit after tax	**173**	**287**	**(546)**	**889**
Profit attributable to non-controlling interests	0	(1)	(4)	(47)
Profit after non-controlling interests	**173**	**286**	**(551)**	**842**
Share of profit before tax	14.3%	9.4%	–	100.0%
Risk-weighted assets (credit risk)	3,273	18,783	(15,076)	68,781
Total own funds requirement	371	1,550	(868)	6,723
Assets	20,068	59,018	(37,516)	147,128
Liabilities	27,002	40,114	(20,415)	135,992
Net interest margin	0.70%	1.13%	–	2.32%
NPL ratio	1.0%	–	–	10.0%
Coverage ratio	76.4%	0.0%	–	65.8%
Cost/income ratio	70.0%	50.2%	–	60.1%
Provisioning ratio (average risk-weighted assets, credit risk)	0.84%	(0.03)%	–	1.16%
Provisioning ratio (average loans)	0.82%	(0.13)%	–	1.00%
Average equity	1,134	2,351	(1,907)	10,582
Return on equity before tax	**28.0%**	**8.8%**	**–**	**14.1%**
Business outlets	3	1	–	3,115

1/1-30/9/2011 In € million	**Central Europe**	**Southeastern Europe**	**Russia**	**CIS Other**	**Group Corporates**
Net interest income	848	689	432	316	309
Net fee and commission income	368	272	174	131	132
Net trading income	30	26	37	52	8
Other net operating income	(29)	28	(3)	(1)	4
Operating income	**1,218**	**1,016**	**640**	**498**	**452**
General administrative expenses	(708)	(554)	(335)	(248)	(102)
Operating result	**509**	**462**	**305**	**249**	**350**
Net provisioning for impairment losses	(484)	(194)	(21)	(99)	(36)
Other results	(12)	(8)	3	(8)	(6)
Profit before tax	**13**	**260**	**287**	**142**	**308**
Income taxes	(55)	(31)	(76)	(38)	(63)
Profit after tax	**(42)**	**229**	**210**	**104**	**245**
Profit attributable to non-controlling interests	6	(12)	0	(10)	0
Profit after non-controlling interests	**(36)**	**217**	**210**	**94**	**245**
Share of profit before tax	0.9%	18.1%	20.0%	9.9%	21.4%
Risk-weighted assets (credit risk)	23,862	16,515	11,331	5,605	14,610
Total own funds requirement	2,153	1,550	1,098	541	1,229
Assets	35,608	22,630	13,975	6,758	21,596
Liabilities	32,884	19,695	12,078	5,793	15,056
Net interest margin	3.24%	4.08%	4.44%	6.17%	1.91%
NPL ratio	9.1%	10.3%	5.9%	28.1%	3.6%
Coverage ratio	63.3%	62.9%	107.3%	71.6%	75.5%
Cost/income ratio	58.2%	54.6%	52.4%	49.9%	22.6%
Provisioning ratio (average risk-weighted assets, credit risk)	2.76%	1.56%	0.29%	2.38%	0.31%
Provisioning ratio (average loans)	1.38%	1.66%	0.11%	2.81%	0.20%
Average equity	2,774	2,018	1,259	713	1,654
Return on equity before tax	**0.6%**	**17.2%**	**30.3%**	**26.6%**	**24.8%**
Business outlets	561	1,153	192	1,014	8

1/1-30/9/2011 In € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	171	349	(390)	2,724
Net fee and commission income	91	(41)	(3)	1,125
Net trading income	89	49	1	293
Other net operating income	23	18	(82)	(42)
Operating income	**374**	**376**	**(473)**	**4,099**
General administrative expenses	(197)	(205)	64	(2,287)
Operating result	**176**	**171**	**(409)**	**1,813**
Net provisioning for impairment losses	(8)	60	0	(782)
Other results	(66)	93	5	1
Profit before tax	**102**	**324**	**(404)**	**1,032**
Income taxes	(30)	23	(1)	(272)
Profit after tax	**72**	**347**	**(405)**	**760**
Profit attributable to non-controlling interests	(1)	(1)	4	(14)
Profit after non-controlling interests	**71**	**346**	**(402)**	**745**
Share of profit before tax	7.1%	22.6%	–	100.0%
Risk-weighted assets (credit risk)	5,835	17,687	(15,011)	80,433
Total own funds requirement	1,277	1,510	(1,290)	8,068
Assets	28,565	52,695	(33,460)	148,368
Liabilities	27,742	52,527	(27,756)	138,020
Net interest margin	0.83%	1.07%	–	2.61%
NPL ratio	10.2%	–	–	8.4%
Coverage ratio	88.0%	–	–	70.5%
Cost/income ratio	52.9%	54.5%	–	55.8%
Provisioning ratio (average risk-weighted assets, credit risk)	0.19%	(0.47)%	–	1.36%
Provisioning ratio (average loans)	0.85%	0.00%	–	1.32%
Average equity	1,478	1,881	(1,687)	10,091
Return on equity before tax	**9.2%**	**23.0%**	**–**	**13.6%**
Business outlets	4	1	–	2,933

Notes

Recognition and measurement principles

The condensed 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 condensed interim consolidated financial statements as of 30 September 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 third quarter 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 30/9	Average 1/1-30/9	As of 31/12	Average 1/1-30/9
Albanian lek (ALL)	140.190	139.165	138.930	140.606
Belarusian rouble (BYR)	10,870.000	10,649.000	10,800.000	5,741.360
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)	7.447	7.523	7.537	7.424
Czech koruna (CZK)	25.141	25.198	25.787	24.435
Great Britain Pound (GBP)	0.798	0.815	0.835	0.875
Hungarian forint (HUF)	284.890	291.577	314.580	272.022
Kazakh tenge (KZT)	194.020	191.605	191.720	206.009
Lithuanian litas (LTL)	3.453	3.453	3.453	3.453
Moldovan leu (MDL)	15.932	15.478	15.074	16.528
Polish zloty (PLN)	4.104	4.215	4.458	4.032
Romanian leu (RON)	4.538	4.431	4.323	4.213
Russian rouble (RUB)	40.140	40.185	41.765	40.778
Serbian dinar (RSD)	115.032	112.780	104.641	102.088
Singapore dollar (SGD)	1.585	1.619	1.682	1.760
Swedish krona (SEK)	8.450	8.727	8.912	8.998
Swiss franc (CHF)	1.210	1.205	1.216	1.237
Turkish lira (TRY)	2.320	2.321	2.443	2.297
Ukrainian hryvnia (UAH)	10.290	10.270	10.298	11.195
US-Dollar (USD)	1.293	1.289	1.294	1.410

Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	30/9/2012	31/12/2011	30/9/2012	31/12/2011
As of beginning of period	**135**	**132**	**1**	**1**
Included for the first time in the financial period	15	8	0	0
Excluded in the financial period	(8)	(5)	0	0
As of end of period	**142**	**135**	**1**	**1**

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 € 176 million to RBI. In addition, a reduction of € 30 million was agreed. Moreover, the capital increase of Polbank amounting to € 210 million – carried out by the seller and taken over by RBI at nominal value – was included.

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 depends 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 € 6,192 million,
thereof € 4,827 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	30/4/2012
Cash reserve	340
Loans and advances to banks	112
Loans and advances to customers (less impairment losses)	4,827
Financial investments	700
Intangible fixed assets	24
Polbank brand	48
Customer base	17
Tangible fixed assets	35
Other assets	89
Assets	**6,192**
Deposits from banks	1,959
Deposits from customers	3,528
Provisions for liabilities and charges	11
Other liabilities	42
Total identifiable net assets	**651**
Non-controlling interests	0
Net assets after non-controlling interests	**651**
Total consideration transferred[1]	816
Goodwill	**165**

In € million	30/4/2012
Cost of aquisition	816
Liquid funds	340
Cash flow for the acquisition	**476**

[1] 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 September 2012 was minus € 28 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- 30/9/2012	1/1-30/9/2011
Net income from financial assets and liabilities held-for-trading	430	484
Net income from financial assets and liabilities at fair value through profit or loss	138	210
Net income from financial assets available-for-sale	178	(44)
Net income from loans and advances	3,613	3,255
Net income from financial assets held-to-maturity	174	345
Net income from financial liabilities measured at acquisition cost	(2,250)	(2,125)
Net income from derivatives (hedging)	1	2
Net revaluations from exchange differences	99	111
Other operating income/expenses	(1,269)	(1,207)
Total profit before tax from continuing operations	**1,115**	**1,032**

(2) Net interest income

In € million	1/1- 30/9/2012	1/1-30/9/2011
Interest and interest-like income, total	**4,959**	**4,857**
Interest income	4,923	4,814
from balances at central banks	56	44
from loans and advances to banks	322	336
from loans and advances to customers	3,678	3,473
from financial investments	443	591
from leasing claims	163	164
from derivative financial instruments (non-trading), net	262	206
Current income	16	16
Interest-like income	20	27
Current income from associates	**0**	**0**
Interest expenses and interest-like expenses, total	**(2,363)**	**(2,133)**
Interest expenses	(2,332)	(2,103)
on deposits from central banks	(2)	(8)
on deposits from banks	(633)	(479)
on deposits from customers	(1,196)	(984)
on debt securities issued	(341)	(465)
on subordinated capital	(160)	(166)
Interest-like expenses	(31)	(30)
Total	**2,596**	**2,724**

(3) Net provisioning for impairment losses

In € million	1/1- 30/9/2012	1/1-30/9/2011
Individual loan loss provisions	**(719)**	**(687)**
Allocation to provisions for impairment losses	(1,117)	(1,121)
Release of provisions for impairment losses	458	438
Direct write-downs	(109)	(55)
Income received on written-down claims	49	51
Portfolio-based loan loss provisions	**90**	**(101)**
Allocation to provisions for impairment losses	(284)	(385)
Release of provisions for impairment losses	373	285
Gains from loan termination or sale	**6**	**6**
Total	**(623)**	**(782)**

(4) Net fee and commission income

In € million	1/1- 30/9/2012	1/1-30/9/2011
Payment transfer business	486	453
Loan and guarantee business	190	221
Securities business	86	93
Foreign currency, notes/coins, and precious-metals business	263	242
Management of investment and pension funds	16	20
Sale of own and third party products	31	32
Credit derivatives business	0	2
Other banking services	48	62
Total	**1,120**	**1,125**

(5) Net trading income

In € million	1/1- 30/9/2012	1/1-30/9/2011
Interest-based transactions	79	141
Currency-based transactions	162	163
Equity-/index-based transactions	11	(4)
Credit derivatives business	(13)	4
Other transactions	(19)	(11)
Total	**220**	**293**

The refinancing expenses for trading assets that are included in net trading income amounted to € 49 million (comparable period: € 74 million).

(6) Income from derivatives and liabilities

In € million	1/1- 30/9/2012	1/1-30/9/2011
Net income from hedge accounting	5	5
Net income from credit derivatives	6	16
Net income from other derivatives	37	77
Net income from liabilities designated at fair value	(268)	51
Income from repurchase of liabilities	112	0
Total	**(108)**	**149**

(7) Net income from financial investments

In € million	1/1- 30/9/2012	1/1-30/9/2011
Net income from securities held-to-maturity	**3**	**(2)**
Net valuations of securities	3	(2)
Net proceeds from sales of securities	0	0
Net income from equity participations	**10**	**(58)**
Net valuations of equity participations	(4)	(66)
Net proceeds from sales of equity participations	14	8
Net income from securities at fair value through profit and loss	**130**	**(86)**
Net valuations of securities	65	(96)
Net proceeds from sales of securities	65	10
Net income from available-for-sale securities	**156**	**0**
Total	**299**	**(146)**

(8) General administrative expenses

In € million	1/1- 30/9/2012	1/1-30/9/2011
Staff expenses	(1,178)	(1,141)
Other administrative expenses	(884)	(884)
Depreciation of intangible and tangible fixed assets	(274)	(262)
Total	**(2,336)**	**(2,287)**

(9) Other net operating income

In € million	1/1- 30/9/2012	1/1-30/9/2011
Net income arising from non-banking activities	35	31
Sales revenues from non-banking activities	580	683
Expenses arising from non-banking activities	(545)	(652)
Net income from additional leasing services	(2)	(2)
Revenues from additional leasing services	56	63
Expenses from additional leasing services	(58)	(65)
Rental income from operating lease (vehicles and equipment)	25	29
Rental income from investment property incl. operating lease (real estate)	18	16
Net proceeds from disposal of tangible and intangible fixed assets	(1)	(5)
Other taxes	(140)	(119)
hereof special bank levies	(114)	(95)
Impairment of goodwill	(1)	(3)
Net expense from allocation and release of other provisions	13	(1)
Sundry operating income	38	43
Sundry operating expenses	(37)	(31)
Total	**(52)**	**(42)**

(10) Income taxes

In € million	1/1- 30/9/2012	1/1-30/9/2011
Current income taxes	(225)	(245)
Austria	(11)	(23)
Foreign	(214)	(222)
Deferred taxes	(2)	(27)
Total	**(226)**	**(272)**

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:

Assets according to measurement categories In € million	30/9/2012	31/12/2011
Trading assets	10,727	11,595
Financial assets at fair value through profit or loss	8,710	7,360
Financial assets available-for-sale	762	3,866
Investments in associates	5	5
Loans and advances	118,678	115,807
Financial assets held-to-maturity	4,707	5,348
Derivatives (hedging)	564	426
Other assets	2,976	2,577
Total assets	**147,128**	**146,985**

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.

Equity and liabilities according to measurement categories In € million	30/9/2012	31/12/2011
Trading liabilities	9,219	10,464
Financial liabilities	122,826	121,426
Liabilities at fair value through profit and loss	3,202	3,346
Derivatives (hedging)	68	43
Provisions for liabilities and charges	677	771
Equity	11,136	10,936
Total equity and liabilities	**147,128**	**146,985**

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	30/9/2012	31/12/2011
Austria	12,363	13,127
Foreign	12,415	12,621
Total	**24,777**	**25,748**

Loans and advances to banks include € 5,564 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	30/9/2012	31/12/2011
Sovereigns	1,663	1,356
Corporate customers – large corporates	52,184	55,222
Corporate customers – mid market	3,746	3,674
Retail customers – private individuals	23,446	19,004
Retail customers – small and medium-sized entities	2,660	2,291
Other	69	28
Total	**83,769**	**81,576**

Loans and advances to customers include € 1,662 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	30/9/2012	31/12/2011
Austria	8,858	7,855
Foreign	74,911	73,721
Total	**83,769**	**81,576**

(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	30/9/2012	31/12/2011
Banks	173	228
Sovereigns	11	6
Corporate customers – large corporates	2,784	2,619
Corporate customers – mid market	468	427
Retail customers – private individuals	1,894	1,524
Retail customers – small and medium-sized entities	331	249
Total	**5,661**	**5,053**

(15) Trading assets

In € million	30/9/2012	31/12/2011
Bonds, notes and other fixed-interest securities	2,449	3,107
Shares and other variable-yield securities	230	210
Positive fair values of derivative financial instruments	6,868	7,293
Call/time deposits from trading purposes	334	7
Total	**9,880**	**10,617**

(16) Derivatives

In € million	30/9/2012	31/12/2011
Positive fair values of derivatives in fair value hedges (IAS 39)	564	426
Positive fair values of credit derivatives	2	75
Positive fair values of other derivatives	845	904
Total	**1,411**	**1,405**

(17) Financial investments

In € million	30/9/2012	31/12/2011
Bonds, notes and other fixed-interest securities	13,473	15,837
Shares and other variable-yield securities	199	254
Equity participations	465	444
Total	**14,136**	**16,535**

(18) Intangible fixed assets

In € million	30/9/2012	31/12/2011
Goodwill	582	408
Software	554	531
Other intangible fixed assets	194	126
Total	**1,330**	**1,066**

(19) Tangible fixed assets

In € million	30/9/2012	31/12/2011
Land and buildings used by the Group for own purpose	735	610
Other land and buildings (investment property)	114	121
Office furniture, equipment and other tangible fixed assets	419	449
Leased assets (operating lease)	335	332
Total	**1,602**	**1,511**

(20) Other assets

In € million	30/9/2012	31/12/2011
Tax assets	532	418
Current tax assets	59	60
Deferred tax assets	473	358
Receivables arising from non-banking activities	93	108
Prepayments and other deferrals	217	261
Clearing claims from securities and payment transfer business	771	458
Lease in progress	59	51
Assets held for sale (IFRS 5)	63	27
Inventories	150	174
Re-/Devaluation of portfolio-hedged underlyings	21	7
Any other business	448	671
Total	**2,353**	**2,174**

(21) Deposits from banks

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

In € million	30/9/2012	31/12/2011
Austria	19,838	20,649
Foreign	16,935	17,343
Total	**36,773**	**37,992**

Deposits from banks include € 1,539 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	30/9/2012	31/12/2011
Sovereigns	1,339	1,318
Corporate customers – large corporates	32,394	33,187
Corporate customers – mid market	2,437	2,439
Retail customers – private individuals	30,123	25,422
Retail customers – small and medium-sized entities	3,934	3,723
Other	715	658
Total	**70,942**	**66,747**

Deposits from customers include € 2,625 million (31/12/2011: € 3,720 million) from repo transactions.

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

In € million	30/9/2012	31/12/2011
Austria	5,904	6,102
Foreign	65,038	60,645
Total	**70,942**	**66,747**

(23) Debt securities issued

In € million	30/9/2012	31/12/2011
Bonds and notes issued	12,232	12,762
Money market instruments issued	126	829
Other debt securities issued	745	776
Total	**13,103**	**14,367**

(24) Provisions for liabilities and charges

In € million	30/9/2012	31/12/2011
Severance payments	61	60
Retirement benefits	24	23
Taxes	113	173
Current	91	156
Deferred	22	17
Contingent liabilities and commitments	131	151
Pending legal issues	72	90
Overdue vacation	52	52
Bonus payments	174	177
Restructuring	6	2
Other	46	42
Total	**677**	**771**

(25) Trading liabilities

In € million	30/9/2012	31/12/2011
Negative fair values of derivative financial instruments	**7,404**	**8,406**
Interest-based transactions	5,904	6,391
Currency-based transactions	659	1,367
Equity-/index-based transactions	805	566
Credit derivatives business	22	68
Other transactions	13	14
Short-selling of trading assets	**592**	**566**
Call/time deposits from trading purposes	**5**	**0**
Certificates issued	**768**	**743**
Total	**8,768**	**9,715**

(26) Derivatives

In € million	30/9/2012	31/12/2011
Negative fair values of derivatives in fair value hedges (IAS 39)	67	37
Negative fair values of derivatives in cash flow hedges (IAS 39)	2	5
Negative fair values of credit derivatives	2	13
Negative fair values of derivative financial instruments	449	736
Total	**519**	**792**

(27) Other liabilities

In € million	30/9/2012	31/12/2011
Liabilities from non-banking activities	80	124
Accruals and deferred items	236	188
Liabilities from dividends	1	0
Clearing claims from securities and payment transfer business	857	417
Re-/Devaluation of portfolio-hedged underlyings	56	22
Any other business	224	764
Total	**1,456**	**1,515**

(28) Subordinated capital

In € million	30/9/2012	31/12/2011
Hybrid tier 1 capital	450	819
Subordinated liabilities	2,673	2,729
Supplementary capital	631	603
Total	**3,754**	**4,151**

(29) Equity

In € million	30/9/2012	31/12/2011
Consolidated equity	9,406	8,825
Subscribed capital	595	593
Participation capital	2,500	2,500
Capital reserves	2,576	2,571
Retained earnings	3,735	3,161
Consolidated profit	842	968
Non-controlling interests	888	1,143
Total	**11,136**	**10,936**

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	30/9/2012	Share	31/12/2011	Share
Credit risk corporate customers	2,346	26.9%	3,724	39.4%
Credit risk private individuals	2,423	27.8%	1,968	20.8%
Credit risk sovereigns	970	11.1%	738	7.8%
Credit risk financial institutions	291	3.3%	566	6.0%
Market risk	809	9.3%	701	7.4%
Operational risk	769	8.8%	863	9.1%
Liquidity risk[1]	163	1.9%	–	–
Participation risk	172	2.0%	29	0.3%
Other tangible fixed assets[1]	369	4.2%	–	–
Risk buffer	415	4.8%	859	9.1%
Total	**8,727**	**100.0%**	**9,447**	**100.0%**

[1] New position due to new development in the calculation of economic capital

Regional allocation of economic capital according to booking unit:

In € million	30/9/2012	Share	31/12/2011[1]	Share
Austria	1,580	18.1%	2,301	24.4%
Central Europe	3,207	36.7%	2,535	26.8%
Southeastern Europe	1,741	19.9%	1,668	17.7%
Russia	1,145	13.1%	1,144	12.1%
CIS Other	770	8.8%	593	6.3%
Rest of the world	284	3.3%	347	3.7%
Risk buffer and diversification effects of risk types[2]	0	0.0%	859	9.1%
Total	**8,727**	**100.0%**	**9,447**	**100.0%**

[1] Extension of previous year figures with consideration of risk buffer
[2] Risk buffer and diversification effects of risk types be allocated from the regions

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	30/9/2012	31/12/2011
Cash reserve	11,576	9,348
Loans and advances to banks	24,777	25,748
Loans and advances to customers	83,769	81,576
Trading assets	9,880	10,617
Derivatives	1,411	1,405
Financial investments	13,473	15,837
Other assets	247	240
Contingent liabilities	11,704	13,280
Commitments	10,656	12,625
Revocable credit lines	16,731	14,848
Description differences	(4,160)	1,177
Total	**180,065**	**186,700**

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		30/9/2012	Share	31/12/2011	Share
0.5	Minimal Risk	1,040	1.3%	1,266	1.4%
1.0	Excellent credit standing	8,820	10.9%	7,900	8.9%
1.5	Very good credit standing	8,707	10.7%	8,939	10.0%
2.0	Good credit standing	11,617	14.3%	12,746	14.3%
2.5	Sound credit standing	12,239	15.1%	15,630	17.5%
3.0	Acceptable credit standing	12,704	15.6%	14,552	16.3%
3.5	Marginal credit standing	12,017	14.8%	12,506	14.0%
4.0	Weak credit standing/sub-standard	4,837	6.0%	6,384	7.2%
4.5	Very weak credit standing/doubtful	2,997	3.7%	3,803	4.3%
5.0	Default	5,086	6.3%	4,610	5.2%
NR	Not rated	1,210	1.5%	831	0.9%
Total		**81,273**	**100.0%**	**89,166**	**100.0%**

Compared to end-2011, total credit exposure for corporate customers declined by € 7,892 million to € 81,273 million. At the end of the third quarter, the largest segment in terms of corporate customers was Group Corporates with € 32,113 million, followed by Central Europe with € 18,709 million and Southeastern Europe with € 10,562 million. The rest is divided between Russia with € 9,557 million, CIS Other with € 3,777 million, Group Markets with € 5,560 million and Corporate Center with € 994 million.

The share of loans with increased credit risk or even weaker credit profiles decreased slightly from 25.4 per cent to 24.5 per cent. The share of loans with good to minimum risk credit profiles rose from 34.6 per cent to 37.1 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 € 5,171 million, which represents the most significant reduction in exposure compared to end-2011. With € 3,999 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 6.3 per cent of total credit exposure (€ 5,086 million).

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

In € million	30/9/2012	Share	31/12/2011	Share
Central Europe	18,709	23.0%	18,649	20.9%
Western Europe	9,863	12.1%	11,658	13.1%
Southeastern Europe	10,562	13.0%	11,230	12.6%
Russia	9,557	11.8%	10,795	12.1%
Austria	15,622	19.2%	17,215	19.3%
CIS Other	3,777	4.6%	4,094	4.6%
Asia	7,263	8.9%	8,547	9.6%
Other	5,918	7.3%	6,976	7.8%
Total	**81,273**	**100.0%**	**89,166**	**100.0%**

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

In € million	30/9/2012	Share	31/12/2011	Share
Wholesale and retail trade	21,297	23.8%	23,672	24.2%
Manufacturing	18,802	21.0%	21,157	21.7%
Real estate	10,166	11.4%	10,418	10.7%
Financial intermediation	9,049	10.1%	9,300	9.5%
Construction	6,698	7.5%	7,324	7.5%
Transport, storage and communication	3,457	3.9%	3,681	3.8%
Other industries	20,085	22.4%	22,079	22.6%
Total	**89,553**	**100.0%**	**97,632**	**100.0%**

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		30/9/2012	Share	31/12/2011	Share
6.1	Excellent project risk profile – very low risk	3,428	41.4%	2,847	33.6%
6.2	Good project risk profile – low risk	2,713	32.8%	3,265	38.6%
6.3	Acceptable project risk profile – average risk	1,302	15.7%	1,241	14.7%
6.4	Poor project risk profile – high risk	318	3.8%	676	8.0%
6.5	Default	498	6.0%	419	5.0%
NR	Not rated	18	0.2%	18	0.2%
Total		**8,279**	**100.0%**	**8,466**	**100.0%**

The credit exposure in project finance amounted to € 8,279 million at the end of the third 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 74.2 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 € 18 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	30/9/2012	Share	31/12/2011	Share
Retail customers – private individuals	25,689	89.8%	20,778	89.0%
Retail customers – small and medium-sized entities	2,926	10.2%	2,568	11.0%
Total	**28,615**	**100.0%**	**23,346**	**100.0%**
hereof non-performing loans	2,982	10.4%	2,452	10.5%
hereof individual loan loss provision	1,580	5.5%	1,499	6.4%
hereof portfolio-based loan loss provision	645	2.3%	275	1.2%

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

30/9/2012 In € million	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	13,926	6,665	3,407	1,678	12
Retail customers – small and medium-sized entities	1,958	762	49	157	0
Total	**15,885**	**7,427**	**3,456**	**1,835**	**12**
hereof non-performing loans	1,447	612	202	716	1
hereof individual loan loss provision	540	382	175	477	0
hereof portfolio-based loan loss provision	539	63	15	28	0

31/12/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
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
Total	**11,187**	**7,461**	**2,829**	**1,857**	**12**
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 22.6 per cent or € 5,269 million to € 28,615 million. Due to the acquisition of Polbank the retail exposure increased by € 5,073 million as of 30 September 2012.

The segment Central Europe had the largest volume at € 15,885 million. Compared to end-2011, there was an increase of € 4,698 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 € 7,427 million, marking a slight decline compared to end-2011.

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

In € million	30/9/2012	Share	31/12/2011	Share
Mortgage loans	14,348	50.1%	10,679	45.7%
Personal loans	5,970	20.9%	5,708	24.5%
Car loans	2,435	8.5%	2,149	9.2%
Overdraft	2,085	7.3%	1,754	7.5%
SME financing	1,905	6.7%	1,020	4.4%
Credit cards	1,871	6.5%	2,036	8.7%
Total	**28,615**	**100.0%**	**23,346**	**100.0%**

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	30/9/2012	Share	31/12/2011	Share
Euro	4,075	38.5%	3,322	42.3%
Swiss franc	5,054	47.8%	2,903	37.0%
US-Dollar	1,295	12.2%	1,445	18.4%
Other foreign currencies	155	1.5%	187	2.4%
Loans in foreign currencies	**10,579**	**100.0%**	**7,857**	**100.0%**
Share of total loans	**37.0%**		**33.7%**	

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.

In € million		30/9/2012	Share	31/12/2011	Share
A1	Excellent credit standing	94	0.3%	85	0.2%
A2	Very good credit standing	850	2.5%	3,409	8.8%
A3	Good credit standing	22,028	63.6%	24,221	62.4%
B1	Sound credit standing	7,541	21.8%	5,233	13.5%
B2	Average credit standing	1,815	5.2%	2,993	7.7%
B3	Mediocre credit standing	899	2.6%	1,277	3.3%
B4	Weak credit standing	438	1.3%	621	1.6%
B5	Very weak credit standing	418	1.2%	370	1.0%
C	Doubtful/high default risk	184	0.5%	184	0.5%
D	Default	291	0.8%	352	0.9%
NR	Not rated	83	0.2%	83	0.2%
Total		**34,640**	**100.0%**	**38,830**	**100.0%**

Total customer exposure amounted to € 34,640 million in the third quarter of 2012, which represents a decline of € 4,189 million. At € 22,028 million or 63.6 per cent, the bulk of this customer group was in the A3 rating class, which decreased by € 2,193 million compared to year-end 2011. This decrease resulted from bond and money-market transactions in the segment Group Markets (€ 2,294 million). At € 29,604 million or 85.5 per cent, the segment Group Markets had the largest share of the loan portfolio with financial institutions, followed by the segment Group Corporates with € 1,506 million or 4.3 per cent.

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

In € million	30/9/2012	Share	31/12/2011	Share
Derivatives	11,825	34.1%	12,464	32.1%
Money market	11,795	34.0%	13,127	33.8%
Repo	5,126	14.8%	2,681	6.9%
Loans	3,208	9.3%	4,984	12.8%
Bonds	2,024	5.8%	4,450	11.5%
Other	662	1.9%	1,123	2.9%
Total	**34,640**	**100.0%**	**38,830**	**100.0%**

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		30/9/2012	Share	31/12/2011	Share
A1	Excellent credit standing	9,783	35.9%	9,567	35.6%
A2	Very good credit standing	963	3.5%	465	1.7%
A3	Good credit standing	4,159	15.3%	4,519	16.8%
B1	Sound credit standing	2,535	9.3%	1,786	6.6%
B2	Average credit standing	616	2.3%	758	2.8%
B3	Mediocre credit standing	3,723	13.7%	5,513	20.5%
B4	Weak credit standing	3,046	11.2%	2,254	8.4%
B5	Very weak credit standing	2,165	7.9%	1,659	6.2%
C	Doubtful/high default risk	169	0.6%	156	0.6%
D	Default	88	0.3%	139	0.5%
NR	Not rated	9	0.0%	77	0.3%
Total		**27,257**	**100.0%**	**26,893**	**100.0%**

Compared to end-2011, credit exposure from sovereigns rose by € 364 million to € 27,257 million, which represents 15.1 per cent of total loans outstanding. The Minimal risk class (A1 rating) accounted for the highest share, at 35.9 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 40.6 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 € 5,211 million or 19.1 per cent of total loans outstanding. They include primarily investments in central banks and central governments in the segments Central Europe and Southeastern Europe. 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	30/9/2012	Share	31/12/2011	Share
Loans	13,234	48.6%	9,023	33.6%
Bonds	12,633	46.3%	13,106	48.7%
Derivatives	865	3.2%	1,028	3.8%
Other	525	1.9%	3,736	13.9%
Total	**27,257**	**100.0%**	**26,893**	**100.0%**

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

In € million	30/9/2012	Share	31/12/2011	Share
Hungary	2,438	26.5%	1,912	19.5%
Romania	2,001	21.7%	2,000	20.4%
Croatia	1,089	11.8%	1,304	13.3%
Albania	968	10.5%	1,218	12.4%
Ukraine	816	8.9%	993	10.1%
Other	1,889	20.5%	2,371	24.2%
Total	**9,201**	**100.0%**	**9,798**	**100.0%**

Compared to end-2011, credit exposure to non-investment grade sovereigns declined by € 597 million to € 9,201 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 € 352 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:

	NPL		NPL ratio		Coverage ratio	
In € million	30/9/2012	31/12/2011	30/9/2012	31/12/2011	30/9/2012	31/12/2011
Corporate customers	5,300	4,591	9.5%	7.8%	61.4%	66.3%
Retail customers	2,982	2,452	11.4%	11.5%	74.6%	72.3%
Sovereigns	58	12	3.5%	0.9%	19.8%	48.2%
Total nonbanks	**8,340**	**7,056**	**10.0%**	**8.6%**	**65.8%**	**68.4%**
Banks	225	241	0.9%	0.9%	76.6%	94.3%
Total	**8,565**	**7,297**	**7.9%**	**6.8%**	**66.1%**	**69.3%**

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 30/9/2012	NPL 31/12/2011	NPL ratio 30/9/2012	NPL ratio 31/12/2011	Coverage ratio 30/9/2012	Coverage ratio 31/12/2011
Central Europe	3,379	2,480	10.5%	9.0%	61.8%	60.8%
Southeastern Europe	1,861	1,726	11.0%	9.8%	59.4%	58.5%
Russia	529	525	4.0%	4.4%	97.1%	100.1%
CIS Other	1,492	1,506	26.9%	26.4%	68.5%	68.2%
Group Corporates	860	654	4.4%	2.8%	61.2%	79.1%
Group Markets	443	405	2.0%	1.8%	74.2%	95.7%
Total	**8,565**	**7,297**	**7.9%**	**6.8%**	**66.1%**	**69.3%**

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 third quarter 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 30/9/2012
Corporate customers	4,591	77	83	1,236	(687)	5,300
Retail customers	2,452	428	74	748	(720)	2,982
Sovereigns	12	0	1	46	(2)	58
Total nonbanks	**7,056**	**505**	**159**	**2,030**	**(1,408)**	**8,340**
Banks	241	0	0	15	(32)	225
Total	**7,297**	**505**	**159**	**2,045**	**(1,440)**	**8,565**

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
Total nonbanks	**6,790**	**0**	**(145)**	**2,562**	**(2,151)**	**7,056**
Banks	268	0	2	97	(126)	241
Total	**7,058**	**0**	**(143)**	**2,660**	**(2,277)**	**7,297**

In Corporate Customers, total non-performing loans increased in the first three quarters of 2012 by 15 per cent or € 709 million to € 5,300 million, with particularly significant increases in Central Europe, up 36 per cent or € 899 million, Group Corporates, up 32 per cent or € 207 million, and Southeastern Europe, up 9 per cent or € 99 million. The ratio of non-performing loans to credit exposure rose by 1.7 per cent to 9.5 per cent. Loan-loss provisions rose by 7 per cent, or € 206 million, to € 3,253 million; at the same time, the coverage ratio fell 5.0 percentage points to 61.4 per cent.

In Retail, non-performing loans were up 22 per cent, or € 530 million, to € 2,982 million. At 56 per cent or € 517 million, Central Europe accounted for the bulk of the increase (€ 475 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 11.4 per cent. Total loan-loss provisions for retail customers increased by 25 per cent or € 452 million to € 2,225 million, with the coverage ratio improving in parallel by 2.3 percentage points to 74.6 per cent.

Non-performing loans for financial institutions amounted to € 225 million at the end of the third quarter of 2012, for which loan-loss provisions of € 172 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 third quarter of 2012:

In € million	As of 1/1/2012	Change in consolidated group	Allocation[1]	Release	Usage [2]	Exchange differences	As of 30/9/2012
Individual loan loss provision	4,441	90	1,177	(458)	(559)	76	4,766
Portfolio-based loan loss provisions	763	336	284	(373)	0	17	1,026
Total	**5,204**	**425**	**1,461**	**(832)**	**(559)**	**92**	**5,792**

[1] Allocation including direct write-downs and income on written down claims.
[2] 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:

In € million	30/9/2012	Share	31/12/2011[1]	Share
Austria	**41,725**	**23.2%**	**43,687**	**23.4%**
Central Europe	**48,572**	**27.0%**	**42,630**	**22.8%**
Poland	14,882	8.3%	8,808	4.7%
Slovakia	11,568	6.4%	11,862	6.4%
Czech Republic	10,995	6.1%	10,937	5.9%
Hungary	9,195	5.1%	8,883	4.8%
Other	1,932	1.1%	2,140	1.1%
European Union	**23,419**	**13.0%**	**26,501**	**14.2%**
Great Britain	6,764	3.8%	7,365	3.9%
Germany	6,037	3.4%	7,492	4.0%
France	5,355	3.0%	3,170	1.7%
Netherlands	1,776	1.0%	2,951	1.6%
Other	3,489	1.9%	5,522	3.0%

In € million	30/9/2012	Share	31/12/2011[1]	Share
Southeastern Europe	**25,125**	**14.0%**	**26,717**	**14.3%**
Romania	8,147	4.5%	8,558	4.6%
Croatia	5,861	3.3%	6,163	3.3%
Bulgaria	4,311	2.4%	4,328	2.3%
Serbia	2,226	1.2%	2,549	1.4%
Other	4,579	2.5%	5,119	2.7%
Russia	**18,037**	**10.0%**	**18,485**	**9.9%**
Far East	**10,082**	**5.6%**	**12,278**	**6.6%**
China	5,014	2.8%	6,556	3.5%
Other	5,068	2.8%	5,722	3.1%
CIS Other	**7,498**	**4.2%**	**7,787**	**4.2%**
Ukraine	5,898	3.3%	6,372	3.4%
Other	1,600	0.9%	1,415	0.8%
USA	**3,914**	**2.2%**	**5,231**	**2.8%**
Rest of the world	**1,692**	**0.9%**	**3,385**	**1.8%**
Total	**180,065**	**100.0%**	**186,700**	**100.0%**

[1] 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. The Group holds government bonds issued by these countries which amounted to € 352 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 30/9/2012	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2011
Currency risk[1]	63	61	51	79	64
Interest rate risk	15	18	13	29	46
Credit spread risk	20	17	12	20	11
Share price risk	2	2	2	2	2
Total	71	70	62	77	51

[1] 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	30/9/2012			31/12/2011		
Maturity	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**
Liquidity gap	16,832	13,981	13,452	20,692	17,937	7,094
Liquidity ratio	135%	119%	110%	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 compared to end-2011. 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	30/9/2012	31/12/2011
Contingent liabilities	**11,704**	**13,280**
Acceptances and endorsements	52	44
Credit guarantees	6,951	7,418
Other guarantees	2,285	2,699
Letters of credit (documentary business)	2,364	3,072
Other contingent liabilities	52	48
Commitments	**10,656**	**12,625**
Irrevocable credit lines and stand-by facilities	10,656	12,625
Up to 1 year	4,352	4,843
More than 1 year	6,304	7,782

(32) Derivatives

The total volume of unsettled financial instruments as of 30 September 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
Interest rate contracts	57,095	88,146	53,712	198,952	7,146	(6,347)
Foreign exchange rate and gold contracts	46,273	12,374	2,386	61,033	921	(718)
Equity/index contracts	1,614	1,254	376	3,245	174	(821)
Commodities	170	77	22	269	8	(8)
Credit derivatives	497	1,576	228	2,301	28	(24)
Precious metals contracts	46	27	19	91	2	(5)
Total	**105,696**	**103,454**	**56,743**	**265,892**	**8,280**	**(7,923)**

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
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)
Total	**122,282**	**145,038**	**82,455**	**349,775**	**8,698**	**(9,198)**

(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:

30/9/2012 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	10,215	219	237	181
Loans and advances to customers	0	1,250	396	296
Trading assets	0	75	11	2
Financial investments	0	342	2	175
Investments in associates	0	0	5	0
Other assets including derivatives	1	14	38	0
Deposits from banks	11,352	286	5,313	80
Deposits from customers	1	1,000	578	373
Debt securities issued	0	0	0	0
Trading liabilities	0	29	0	1
Other liabilities including derivatives	1	9	0	0
Subordinated capital	51	0	0	0
Guarantees given	0	67	20	20
Guarantees received	0	1,216	150	3

31/12/2011 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
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[1]	0	0	0
Trading liabilities	0	16	37	2
Other liabilities including derivatives	4	1	1	0
Subordinated capital	52[1]	0	0	0
Guarantees given	0	61	71	23
Guarantees received	0	414	146	3

[1] Adaption of previous year figures due to different allocation

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

In € million	30/9/2012 Level I	30/9/2012 Level II	30/9/2012 Level III	31/12/2011 Level I	31/12/2011 Level II	31/12/2011 Level III
Trading assets	**2,601**	**8,022**	**104**	**2,862**	**8,630**	**103**
Positive fair values of derivatives[1]	169	7,443	104	167	8,002	103
Shares and other variable-yield securities	167	63	0	198	12	0
Bonds, notes and other fixed-interest securities	1,932	517	0	2,497	610	0
Call/time deposits from trading purposes	334	0	0	0	7	0
Financial assets at fair value through profit or loss	**5,942**	**2,747**	**21**	**5,056**	**2,269**	**35**
Shares and other variable-yield securities	111	82	5	130	119	5
Bonds, notes and other fixed-interest securities	5,831	2,665	15	4,926	2,150	30
Financial assets available-for-sale	**349**	**0**	**0**	**3,487**	**0**	**0**
Other interests[2]	52	0	0	65	0	0
Bonds, notes and other fixed-interest securities	297	0	0	3,422	0	0
Derivatives (hedging)	**0**	**564**	**0**	**0**	**426**	**0**
Positive fair values of derivatives from hedge accounting	0	564	0	0	426	0

[1] Including other derivatives.
[2] Includes only securities traded on the stock exchange.

In € million	30/9/2012 Level I	30/9/2012 Level II	30/9/2012 Level III	31/12/2011 Level I	31/12/2011 Level II	31/12/2011 Level III
Trading liabilities	**825**	**8,320**	**74**	**671**	**9,681**	**112**
Negative fair values of derivatives financial instruments[1]	233	7,602	19	105	8,992	57
Call/time deposits from trading purposes	0	5	0	0	0	0
Short-selling of trading assets	592	0	0	565	0	0
Certificates issued	0	713	55	0	688	55
Liabilities at fair value through profit and loss	**0**	**3,202**	**0**	**0**	**3,346**	**0**
Debt securities issued	0	3,202	0	0	3,346	0
Derivatives (hedging)	**0**	**68**	**0**	**0**	**43**	**0**
Negative fair values of derivatives from hedge accounting	0	68	0	0	43	0

[1] 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

Movements between level I and level II

In the first nine months 2012 the liquidity of the financial instruments in the portfolio was generally very good. In the reporting period, some bonds were moved to a price-based valuation (€ 416 million).

(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:

In € million	30/9/2012	31/12/2011
Paid-in capital	5,657	4,933
Earned capital	2,802	3,031
Non-controlling interests	848	1,171
Hybrid tier 1 capital	441	800
Intangible fixed assets	(736)	(501)
Core capital (tier 1 capital)	**9,013**	**9,434**
Deductions from core capital	(16)	(19)
Eligible core capital (after deductions)	**8,997**	**9,415**
Supplementary capital according to Section 23 (1) 5 BWG	635	599
Provision excess of internal rating approach positions	229	234
Hidden reserves	0	0
Long-term subordinated capital	2,480	2,536
Additional own funds (tier 2 capital)	**3,344**	**3,368**
Deduction items: participations, securitizations	(16)	(19)
Eligible additional own funds (after deductions)	**3,328**	**3,349**
Deduction items: insurance companies	(8)	(7)
Tier 2 capital available to be redesignated as tier 3 capital	99	100
Total own funds	**12,416**	**12,858**
Total own funds requirement	**6,723**	**7,624**
Excess own funds	5,693	5,234
Excess cover ratio	84.7%	68.6%
Core tier 1 ratio, total	10.2%	9.0%
Tier 1 ratio, credit risk	13.1%	12.2%
Tier 1 ratio, total	10.7%	9.9%
Own funds ratio	14.8%	13.5%

The total own funds requirement breaks down as follows:

In € million	30/9/2012	31/12/2011
Risk-weighted assets according to section 22 BWG	**68,781**	**77,150**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	5,502	6,172
Standardized approach	2,445	3,056
Internal rating approach	3,057	3,116
Settlement risk	0	0
Own funds requirement for position risk in bonds, equities and commodities	306	520
Own funds requirement for open currency positions	64	140
Own funds requirement for operational risk	851	792
Total own funds requirement	**6,723**	**7,624**

(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- 30/9/2012	1/1-30/9/2011
Austria	2,669	2,687
Foreign	58,976	57,319
Total	**61,645**	**60,006**

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