SEMI-ANNUAL FINANCIAL REPORT 2014

RZB Group

Overview

RZB Group Monetary values in € million	2014	Change	2013
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	2,097	8.1%	1,939
Net provisioning for impairment losses	(587)	28.9%	(455)
Net fee and commission income	805	2.2%	788
Net trading income	7	(94.9)%	144
General administrative expenses	(1,633)	(1.8)%	(1,663)
Profit before tax	590	3.0%	573
Profit after tax	434	3.7%	419
Consolidated profit	197	(20.5)%	248
Earnings per share	29.06	(7.50)	36.56
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	20,069	(11.4)%	22,650
Loans and advances to customers	90,684	0.1%	90,594
Deposits from banks	34,746	3.0%	33,733
Deposits from customers	73,476	(2.9)%	75,660
Equity	11,693	(0.8)%	11,788
Total assets	145,613	(1.2)%	147,324
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	9.0%	(0.4) PP	9.5%
Return on equity after tax	6.7%	(0.3) PP	6.9%
Consolidated return on equity	6.0%	(0.7) PP	6.8%
Cost/income ratio	55.1%	(1.1) PP	56.2%
Return on assets before tax	0.80%	0.0 PP	0.82%
Net interest margin (average interest-bearing assets)	3.08%	0.07 PP	3.02%
Provisioning ratio (average loans and advances to customers)	1.30%	0.23 PP	1.07%
Bank-specific information	**30/6**		**31/12**
Risk-weighted assets (total)	89,106	(4.8)%	93,579
Total own funds requirement	7,128	0.0%	7,127
Total own funds	13,088	3.5%	12,645
Common equity tier 1 ratio (transitional)	10.8%	1.1 PP	9.8%
Common equity tier 1 ratio (fully loaded)	7.7%	–	n.a.
Own funds ratio	14.7%	0.5 PP	14.2%
Resources	**30/6**		**31/12**
Employees as at reporting date (full-time equivalents)	58,025	(2.3)%	59,372
Business outlets	2,951	(2.8)%	3,037

Content

In this report "RZB" denotes the "RZB Group".

If "RZB AG" is used it denotes Raiffeisen Zentralbank Österreich AG.

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

Semi-Annual Group Management Report

Market trends

Increase of growth dynamics in Austria

In Austria, the growth dynamics of the second half of 2013 came to a de facto hold in the first half of 2014. Although leading indicators such as the business confidence or the purchasing managers' index for the manufacturing industry recently showed a rather mixed development, a renewed increase of the growth dynamics can be expected. Domestic demand is likely to become a main pillar supporting growth dynamics. For 2014, a real GDP growth rate of 0.9 per cent is expected, following 0.3 per cent in the previous year. In 2015, the Austrian economy is estimated to have real growth of 1.5 per cent. Due to the weaker than expected growth development in the first half of 2014 these forecasts are, however, linked to downside risks.

The sanctions between the EU and Russia are also a risk factor. However, despite above-average growth rates, the trade volume from Austria to Russia accounts for 2.8 per cent of total Austrian exports and is thus quite modest.

Differentiated economic growth in CEE

Following 1.2 per cent in 2013, economic growth of 0.5 per cent is expected in Central and Eastern Europe (CEE) in 2014. However, the individual CEE regions will develop very differently. Initial GDP data for 2014, and leading indicators, support the view that economic growth in Central Europe (CE), and in a number of Southeastern European (SEE) countries, will accelerate this year – with economic growth markedly exceeding the eurozone average. In contrast, Russia and Belarus are likely to be marked by stagnation or a mild recession in 2014, with Ukraine unable to avoid a sharp economic downturn. According to the current state, increasing restrictions on trade with Russia (especially for exports to Russia) should not, in themselves, have any material impact on the economic situation – both for the eurozone, as well as for CE and SEE.

Central Europe (CE) – the Czech Republic, Hungary, Poland, Slovakia, and Slovenia – is the most economically developed region in CEE. With the exception of Poland, CE economies are small, open, and highly dependent on exports to the eurozone, in particular to Germany. Following 0.8 per cent growth in 2013, economic growth in CE is expected to increase significantly to 2.9 per cent in 2014. The strongest GDP growth for the current year should appear in Poland, at just over 3 per cent, with latest GDP data pointing to a sustainable improvement in economic conditions. In general, CE benefits primarily from high economic growth momentum in Germany, as well as from expansionary monetary and currency policies in a number of CE countries. Against this backdrop, growth rates in 2015 are also likely to be on a par with 2014 levels.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia – the economy should grow by 2 per cent in 2014, as in the previous year. Romania is expected to record the strongest GDP growth in the current year – as in 2013 – at 3.5 per cent, as it is currently benefitting from successfully implemented structural reforms. In Bulgaria, GDP growth for 2014 is projected at roughly 2 per cent. In most of the other countries in SEE, GDP growth in 2014 is likely to range from 0 to 2 per cent and Croatia could remain in a light recession. The, on the whole, moderate growth in SEE is attributable to a number of factors: structural reforms are still pending in a number of these countries, high levels of debt in the private sector are only gradually being reduced, and damage caused by recent flooding further impedes growth prospects in Bosnia and Herzegovina, as well as in Serbia. For 2015, positive growth rates are expected in all SEE countries and could exceed 3 per cent in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, and Romania.

Russia already suffered a marked economic downturn in 2013, which is set to become even more severe in 2014. A mild recession is expected in Russia in the current year, with GDP declining 0.3 per cent (following 1.3 per cent growth in the previous year). In Russia, as well as in CEE Other (Ukraine and Belarus), existing weaknesses such as low investment, an unfavorable investment climate, and high capital outflows, have further intensified as a result of the current escalation of geopolitical tensions and the initial effects of sanctions. Notable currency devaluations in Russia and Ukraine additionally weigh on their domestic economies, as well as on consumer confidence. Against this backdrop, and an unavoidable adjustment recession (due in part to requirements under the IMF/EU bailout agreement), a decline in Ukraine's GDP of roughly 7 per cent can be expected for 2014. CEE Other and Russia, however, should return to positive growth in 2015.

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

Region/country	2013	2014e	2015f	2016f
Czech Republic	(0.9)	2.6	2.4	3.0
Hungary	1.1	2.7	2.5	2.2
Poland	1.6	3.3	3.3	3.5
Slovakia	0.9	2.7	3.0	3.5
Slovenia	(1.1)	1.0	1.0	1.8
CE	**0.8**	**2.9**	**2.9**	**3.2**
Albania	0.4	2.0	3.0	4.5
Bosnia and Herzegovina	1.9	0.0	3.5	3.5
Bulgaria	0.9	2.0	3.5	3.2
Croatia	(0.9)	(0.8)	1.0	1.2
Kosovo	3.0	3.0	4.0	4.0
Romania	3.5	3.5	3.5	3.0
Serbia	2.5	0.0	2.0	3.5
SEE	**2.2**	**2.0**	**2.9**	**2.9**
Russia	**1.3**	**(0.3)**	**1.0**	**0.5**
Belarus	0.9	0.5	1.5	2.0
Ukraine	0.0	(7.0)	1.5	4.0
CEE Other	**0.3**	**(4.8)**	**1.5**	**3.4**
CEE	**1.2**	**0.5**	**1.7**	**1.6**
Austria	**0.3**	**0.9**	**1.5**	**2.1**
Germany	**0.5**	**1.8**	**2.5**	**1.3**
Eurozone	**(0.4)**	**0.8**	**1.6**	**1.9**

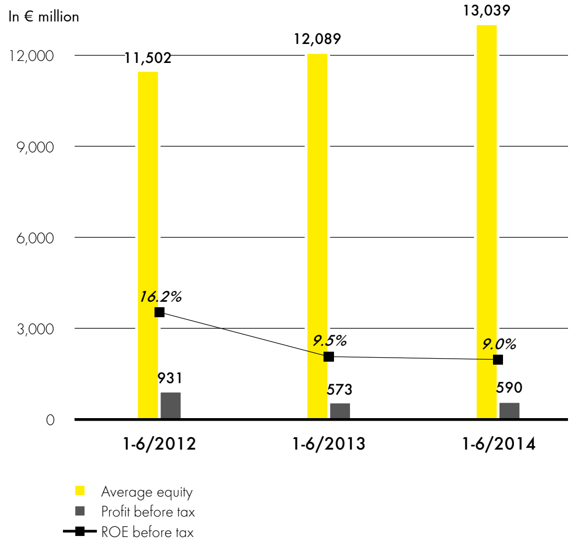
Earnings and financial performance

For RZB, the first half of 2014 was affected by geopolitical tensions in Ukraine and new strains on the banking sector in Hungary. Nevertheless, RZB achieved a profit before tax of € 590 million during the reporting period, which corresponds to an increase of 3 per cent, or € 17 million, year-on-year. The profit of affiliated companies contributed to this increase with € 44 million. These affiliated companies were previously jointly operated with the Regional Raiffeisen Banks (Raiffeisen-Landeszentralen). By the end of 2013, RZB AG took over the majority of building societies, factoring and investment fund business resulting in the full consolidation of these former at-equity results as of 2014. The operating result increased 3 per cent to € 1,329 million, due to improved interest margins and lower general administrative expenses. In Hungary, changed legislation resulted in a one-off effect, with a negative impact of € 67 million so far in the second quarter of 2014. At the same time, in Ukraine, higher net provisioning for impairment losses of € 184 million was required.

Operating income increased € 4 million, to € 2,962 million year-on-year. The net interest margin (calculated on interest-bearing assets) improved 7 basis points to 3.08 per cent, as a result of lower refinancing costs and slightly higher interest income from RBI AG. This resulted in an increase of 8 per cent, or € 158 million, to € 2,097 million in net interest income. However, net trading income fell € 137 million, to € 7 million, due, inter alia, to exchange-rate related valuation losses on foreign currency positions in Ukraine, as well as a reduced volume of derivatives in Russia. Net fee and commission income increased € 17 million, primarily due to the consolidation of affiliated companies. Earnings from loan and guarantee business decreased following low credit demand. Sundry net operating income decreased € 34 million to € 52 million, largely attributable to the higher financial transaction tax in Hungary.

General administrative expenses were down 2 per cent, or € 31 million, to € 1,633 million year-on-year. On the one hand expenses increased due to the consolidation of affiliated companies, on the other hand positive effects resulted from ongoing cost reduction programs, predominantly in the Czech Republic, Poland, and Hungary, while declines in Ukraine and Russia were primarily caused by currency devaluations. The average number of employees was reduced 949 year-on-year to 59,063. The number of business outlets also decreased – down 115 to 2,951 year-on-year.

Development of profit and return on equity



Compared to the same period of the previous year, net provisioning for impairment losses rose 29 per cent, or € 132 million, to € 587 million. The increase was mainly attributable to the devaluation of the hryvnia and the difficult overall macro-economic environment in Ukraine, where net provisioning increased € 125 million to € 184 million.

Net income from derivatives and liabilities improved € 119 million to minus € 65 million. This improvement was attributable to net income from liabilities designated at fair value, where the change in valuations for credit spreads on own liabilities – of € 158 million to plus € 24 million – had a positive impact.

Profit after tax increased 4 per cent to € 434 million year-on-year, while the tax rate fell slightly to 26 per cent. Profit attributable to non-controlling interests stood at € 237 million (comparing period: € 171 million). This was due to the capital increase, carried out at the beginning of 2014, which diluted RZB's share in RBI AG down to 60.8 per cent. Hence, the consolidated profit was down 21 per cent to €197 million.

Comparison of results year-on-year

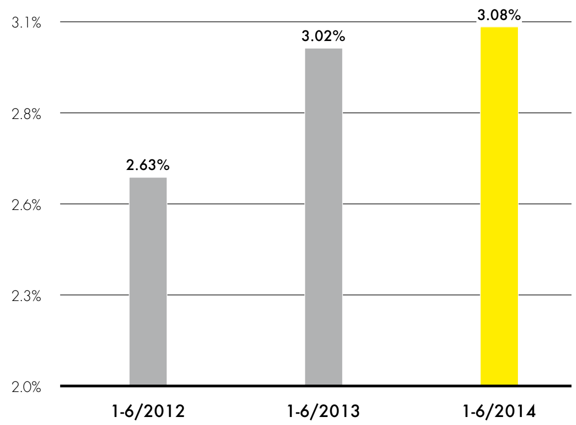
in € million	1/1-30/6/2014	1/1-30/6/2013	Change absolute	Change in %
Net interest income	2,097	1,939	158	8.1%
Net fee and commission income	805	788	17	2.2%
Net trading income	7	144	(137)	(94.9)%
Sundry net operating income	52	86	(34)	(39.8)%
Operating income	**2,962**	**2,958**	**4**	**0.1%**
Staff expenses	(842)	(845)	3	(0.3)%
Other administrative expenses	(613)	(621)	7	(1.2)%
Depreciation	(177)	(198)	20	(10.3)%
General administrative expenses	**(1,633)**	**(1,663)**	**31**	**(1.8)%**
Operating result	**1,329**	**1,294**	**34**	**2.7%**
Net provisioning for impairment losses	(587)	(455)	(132)	28.9%
Other results	(152)	(266)	114	(42.9)%
Profit before tax	**590**	**573**	**17**	**3.0%**
Income taxes	(156)	(154)	(2)	1.2%
Profit after tax	**434**	**419**	**15**	**3.7%**
Profit attributable to non-controlling interests	(237)	(171)	(66)	38.6%
Consolidated profit	**197**	**248**	**(51)**	**(20.5)%**

Net interest income

In the first half of 2014, net interest income rose 8 per cent, or € 158 million, to € 2,097 million year-on-year. The main reasons for this positive development were the consolidation of affiliated companies, lower refinancing costs, continued optimization of liquidity, as well as higher interest income from derivatives – predominantly at RBI AG and in Russia. Furthermore, net interest income was supported in a number of markets by new business with higher margins. The income from at-equity associates decreased € 29 million to € 59 million. On the one hand, this decrease was due to the dilution of UNIQA Versicherungen AG, and on the other hand, due to the full consolidation of the affiliated companies, which were previously included at-equity.

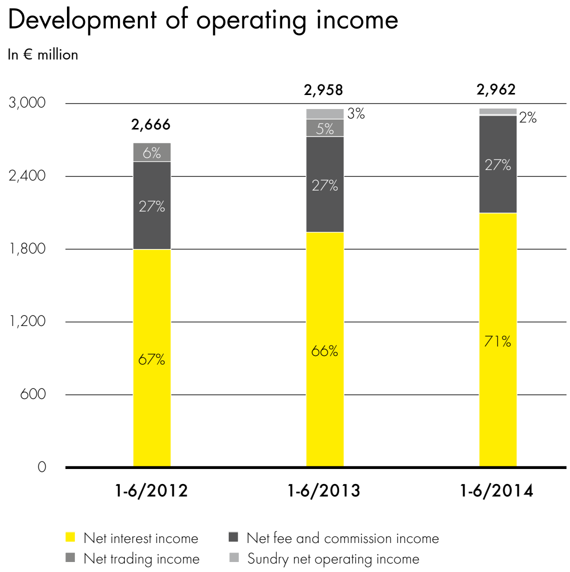
The net interest margin was up 7 basis points to 3.08 per cent year-on-year. This development was attributable to higher interest income from derivatives at RBI AG and in Russia, as well as lower refinancing costs. Repricing measures in the deposit business in Poland and Slovakia, as well as the favorable development of new business in Russia and Belarus, contributed to the interest margin increase. In Ukraine, net interest income remained virtually unchanged. In the Czech Republic, interest income declined due to lower margins caused by competition conditions and currency effects. In Hungary, on the other hand, lower interest income from derivatives, as well as reduced volumes in retail and corporate customer business, led to a slide in interest income. In Romania, net interest income decreased mainly due to a fall in market interest rates and lower interest income from securities.

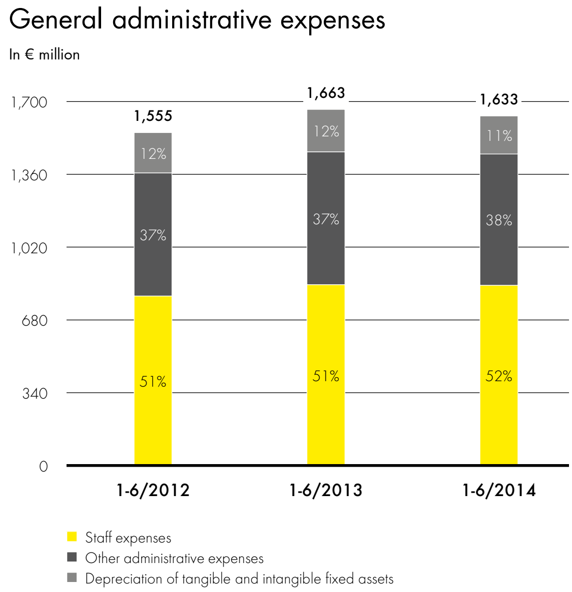
Development of the net interest margin (average interest-bearing assets)



Net fee and commission income

Net fee and commission income rose € 17 million to € 805 million versus the comparable period, € 31 million accounting for the consolidation of affiliated companies. The result from the management of investment and pension funds showed the highest growth, increasing € 43 million to € 58 million due to the consolidation of Raiffeisen Capital Management. In contrast, primarily due to reduced volumes in Russia and lower margins in the Czech Republic, net income from loan and guarantee business declined 22 per cent, or € 28 million, to € 97 million. As a result of lower fees, net income from the securities business fell 16 per cent, or € 11 million, to € 62 million, predominantly at RBI AG. In contrast, net income from foreign currency, notes/coins and precious metals business increased 5 per cent, or € 9 million, to € 180 million, primarily through higher volumes in Ukraine and Russia. Similarly, net income from the payment transfer business grew € 10 million to € 358 million, as a result of fee increases in Hungary following the introduction of the financial transaction tax, as well as margin improvements in Slovakia. In contrast, net income from other banking services decreased € 6 million to € 27 million, with lower fee and commission income from structured financing resulting in a decline in the Czech Republic.





Net trading income

Net trading income fell € 137 million to € 7 million, compared to the same period of the previous year, primarily driven by a € 134 million decrease in net income from currency-based transactions. This decline was mainly attributable to exchange-rate related valuation losses on foreign currency positions in Ukraine, as well as a reduced derivatives portfolio in Poland. Hungary, on the other hand, posted valuation gains from derivatives. Belarus benefitted from the positive effects of a strategic currency position, as well as from an improvement in net income from proprietary trading. Net income from interest-based transactions was up € 20 million to € 38 million. This improvement was primarily due to valuation gains on securities positions and derivatives at RBI AG, while valuation losses were posted in the Czech Republic.

Sundry net operating income

Sundry net operating income fell € 34 million to € 52 million year-on-year. This decline was attributable to the higher financial transaction tax in Hungary, up € 7 million compared to the same period of the previous year, due to the increased tax rate, as well as a newly introduced tax on foreign exchange purchases in Ukraine, which had a negative impact of € 4 million. Additional factors included a € 14 million decline in net income from non-banking activities due to the deconsolidation (sale) of F.J. Elsner Trading GmbH, Vienna, and to the depreciation of a property in Ukraine. An € 12 million decline in net income from additional leasing services also contributed to the decrease in sundry net operating income. This was contrasted by improved net income from the disposal of tangible fixed assets in Ukraine and higher net income from investment property in Hungary. The result of the operating leasing business increased € 7 million to € 43 million.

General administrative expenses

Compared to the same period of the previous year, general administrative expenses declined € 31 million to € 1,633 million, thereof € 67 million were attributable to the first-time consolidation of the affiliated companies. The cost/income ratio improved 1.1 percentage points to 55.1 per cent.

The largest component in general administrative expenses was staff expenses at 52 per cent, which decreased to € 842 million. On the one hand, the decline resulted from ongoing cost reduction programs – with the largest reductions in the Czech Republic, Poland, and Hungary; and on the other, from significant currency devaluations in Russia and Ukraine, which led to lower expenses. In contrast, adjustments for current salaries and overtime payments, as well as social security contributions at RBI AG, led to slightly higher expenses.

The average number of staff (full-time equivalents) fell 949 year-on-year to 59,063. The largest declines occurred in Ukraine (down 959), Hungary (down 311), the Czech Republic (down 214), and Bulgaria (down 219).

Other administrative expenses fell 1 per cent, or € 7 million, to € 613 million. The reduction resulted from ongoing cost reduction programs – mainly in the Czech Republic, Poland, and Hungary, while significant currency devaluations led to lower expenses in Russia and Ukraine. On the other hand, there was an increase of other administrative expenses due to the consolidation of the affiliated companies. Depreciation of tangible and intangible fixed assets declined 10 per cent, or € 20 million, to € 177 million year-on-year. This was primarily due to currency effects and the depreciation of tangible fixed assets in Ukraine, currency effects in Russia, as well as reduced depreciation on software at RBI AG.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 29 per cent, or € 132 million, to € 587 million compared to the same period of the previous year, primarily as a result of higher net provisioning for individual loan loss provisions in Ukraine. Net allocations for portfolio-based loan loss provisions, however, were down € 5 million. This was set against reduced income from the sale of impaired loans.

In Ukraine, net provisioning for impairment losses – solely due to higher individual loan loss provisions – was up € 125 million compared to the same period of the previous year. Following the devaluation of the hryvnia and the resulting need for provisioning for collateralized US Dollar loans, foreign currency loans, among other things, were impacted. In Russia, a growing retail portfolio, the devaluation of the rouble and individual loans to corporate customers led to higher net provisioning for impairment losses (up € 77 million) – both for individual loan loss provisions and for portfolio-based loan loss provisions. However, the level of net provisioning in the first half of 2014 was still moderate, particularly because net releases for impairment losses were posted in the comparable period of the previous year. Net provisioning for impairment losses at RBI AG decreased € 49 million, following a need for higher net provisioning for impairment losses on various non-performing loans to large corporate customers in the comparable period of the previous year. Hungary posted a € 35 million decline in net provisioning for impairment losses – both in the corporate and retail customer business.

The provisioning ratio, based on the average volume of loans and advances to customers, increased 0.23 percentage points to 1.30 per cent year-on-year.

Other results

Other results – consisting of net income from derivatives and liabilities, net income from financial investments, goodwill impairments, bank levies, net income from the disposal of Group assets and one-off effects reported in other operating expenses – rose from minus € 266 million to minus € 152 million year-on-year.

Net income from derivatives and liabilities improved € 119 million to minus € 65 million. This was attributable to net income from liabilities designated at fair value, in which the changed valuation of credit spreads for own liabilities – by € 158 million to plus € 24 million – was positively reflected. Net income from the valuation of derivatives entered into for hedging purposes was down € 39 million.

Net income from financial investments improved € 36 million to € 100 million compared to the same period of the previous year. On the one hand, the valuation result of securities from the fair value portfolio – particularly in Ukraine and RZB AG – was € 71 million higher compared to the same period of the previous year; on the other, the gain from the sale of shares in equity participations – achieved in the comparable period of the previous year – resulted in a decline of € 39 million.

The expense for bank levies fell € 24 million, with declines in Hungary (down € 20 million) due to a one-time special tax in the previous year and in Austria (down € 4 million) due to a change in the tax assessment base. The deconsolidation loss of € 11 million in the first half of 2014 was predominantly due to the sale of the commodity trading group F.J. Elsner, Vienna.

As a result of changed legislation in Hungary, sundry operating expenses in the first half of 2014 included a one-off effect in the form of a provision of € 67 million. This effect was the result of legislation passed by the Hungarian parliament. The law related to FX margins which can be applied to foreign currency loan disbursement and installments, as well as unilateral rate changes on consumer loans. Further costs – the extent of which could not yet be assessed, due to the calculation method being unavailable – are to be expected in the second half of the year.

Income taxes

Income tax expense increased slightly to € 156 million compared to the previous year's period, the tax rate decreased 1 percentage point to 26 per cent. While an earnings-related decrease in income tax expenses was posted in Ukraine and Russia, impairment charges on activated tax loss carry-forwards, as well as lower deferred taxes caused by changed valuation results for derivatives in Austria, increased tax expenses.

Statement of financial position

Since the beginning of 2014, RZB´s total assets declined 1 per cent or € 1.711 million to € 145.613 million. The reduction was mainly driven by currency effects, mainly as a result of the devaluation of the Ukrainian hryvnia (down 46 per cent). Furthermore, short-term receivables in particular declined.

Assets

in € million	30/6/2014	Share	31/12/2013	Share
Loans and advances to banks (less impairment losses)	19,957	13.7%	22,532	15.3%
Loans and advances to customers (less impairment losses)	84,649	58.1%	84,723	57.5%
Financial investments	23,149	15.9%	22,326	15.2%
Other assets	17,857	12.3%	17,743	12.0%
Total assets	**145,613**	**100.0%**	**147,324**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions decreased € 2,581 million to € 20,069 million, since the beginning of the year. This was mainly attributable to a € 2,127 million decline in receivables from money market business – predominantly at RBI AG. At the same time, receivables from repurchase and securities lending transactions were down € 666 million. Similarly, long-term receivables declined € 281 million and receivables from the giro and clearing business were down € 243 million.

Loans and advances to customers before deduction of loan loss provisions marginally rose to € 90,684 million despite mitigating currency effects. Loans and advances to the public sector increased € 215 million, while loans and advances to corporate and retail customers decreased. On a currency-adjusted basis, gains were predominantly posted in Ukraine, Russia, Poland, the Czech Republic, and Slovakia.

The item financial investments rose € 823 million to € 23,149 million due to the acquisition of highly liquid securities.

Equity and liabilities

in € million	30/6/2014	Share	31/12/2013	Share
Deposits from banks	34,746	23.9%	33,733	22.9%
Deposits from customers	73,476	50.5%	75,660	51.4%
Own funds	15,856	10.9%	15,969	10.8%
Other liabilities	21,535	14.8%	21,962	14.9%
Total equity and liabilities	**145,613**	**100.0%**	**147,324**	**100.0%**

The refinancing volume via banks (primarily commercial banks) increased € 1,014 million to € 34,746 million since the beginning of the year – predominantly at RBI AG. An increase in the giro and clearing business (up € 1,337 million) was set against a more significant reduction in money market business (down € 484 million).

Deposits from customers dropped € 2,184 million to € 73,476 million. While deposits from large corporate customers (primarily at RBI AG, in Ukraine, the Czech Republic, and Poland) decreased € 2,752 million, deposits from the public sector (predominantly in Poland, Slovakia, and Russia) were up € 714 million. Deposits from private individuals remained on the whole stable; however, the development varied from country to country. While deposits from private individuals decreased in Ukraine and Russia due to currency effects, deposits in the Czech Republic, Poland, Romania, and Slovakia increased.

Other liabilities fell € 427 million to € 21,535 million, with debt securities issued decreasing – mainly due to the lower refinancing requirement – as well as liabilities from non-banking activities and clearing claims from securities and payment transfer business also declining, while negative fair values of derivatives increased.

Funding is as follows:

in € million	30/6/2014	Share	31/12/2013	Share
Customer deposits	73,476	58.7%	75,660	59.6%
Medium- and long-term refinancing	21,703	17.3%	22,063	17.4%
Short-term refinancing	25,823	20.6%	25,121	19.8%
Subordinated liabilities	4,163	3.3%	4,181	3.3%
Total	**125,165**	**100.0%**	**127,026**	**100.0%**

Equity on the statement of financial position

The equity on the statement of financial position, consisting of consolidated equity, consolidated profit, and capital of non-controlling interests, decreased € 95 million to € 11,693 million versus year-end 2013.

RBI AG's capital increase carried out at the beginning of 2014, the repayment of its state participation capital in June as well as capital increases through minorities resulted in in a net capital gain of € 291 million. The capital increase led to a dilution of existing shares in the amount of € 503 million. Dividend payments led to a decrase in capital of € 590 million, hereof € 244 million fell to shareholders of Raiffeisen Zentralbank, while € 346 million fell to shares of other shareholders. The dividend payment of RBI AG's participation capital amounted to € 180 million.

Total capital pursuant to the CRR/BWG

As of 30 June 2014, total capital of RZB under Basel III amounted to € 13,088 million. This corresponds to an increase of € 443 million compared to the year-end figure 2013, calculated under Basel II, primarily due to the capital increase of RBI AG at the beginning of 2014. This was set against by the € 1,750 million repayment of state participation capital of RBI AG in June 2014. The development of the Ukrainian hryvnia, Russian rouble, and Hungarian forint, also had a negative impact. Tier 2 capital (after deductions) increased € 433 million, to € 3,434 million. The increase was largely due to the first-time allowance of portfolio-based loan loss provisions.

Total capital stood in contrast to a total capital requirement of € 7,128 million. The increase in the total capital requirement, as a result of the new Basel III regulations, was largely neutralized by currency devaluations. The total capital requirement for credit risk amounted to € 5,991 million, the total capital requirement for position risk in bonds, equities, commodities and foreign currencies came to € 314 million, and the total capital requirement for operational risk stood at € 823 million.

Based on total risk, the common equity tier 1 ratio (transitional) came to 10.8 per cent, with a total capital ratio of 14.7 per cent.

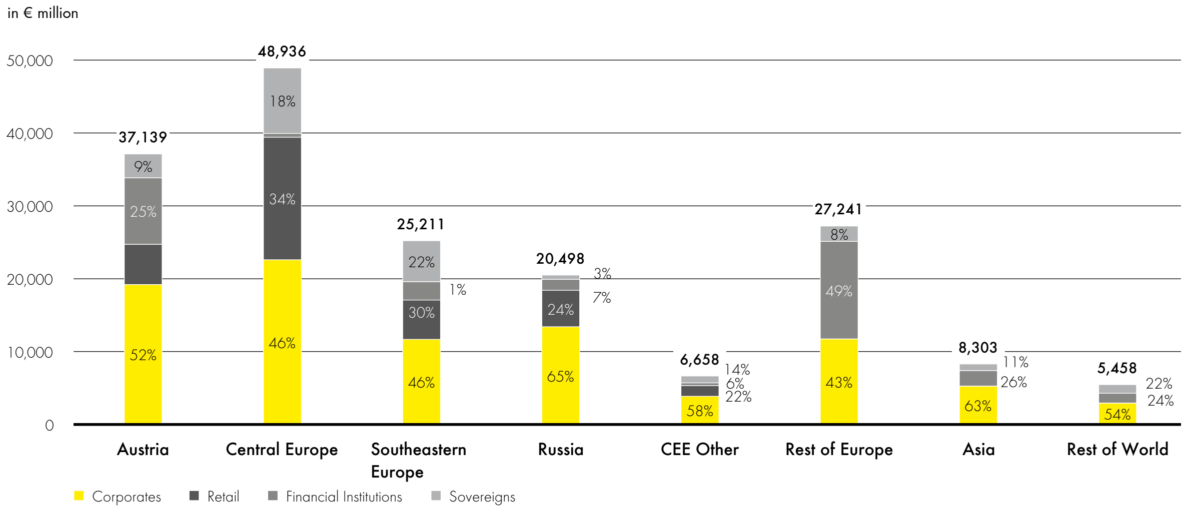
Risk management

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

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

Loan portfolio strategy

The following chart shows RZB's outstanding exposure by asset classes and region as at the end of the half year of 2014.



The portfolio structure remained highly stable throughout the first half of 2014 and thus reflects the Group's business model. On the reporting date, the total credit exposure used for managing the portfolio was € 179,325 million. This amount includes exposures on and off the statement of financial position prior to the application of credit conversion factors and thus represents the total credit exposure.

Corporate customers are a central element of RZB's portfolio in all regions. As at 30 June 2014, outstanding exposure to corporate customers totaled € 81,753 million, down € 1,026 million from the end of financial year 2013. This was attributable to a credit portfolio reduction at some network banks and a depreciation of currencies in Russia and Ukraine. These effects were, however, partly compensated by an increase in loans in the Austrian and Russian portfolios. As new loans were granted primarily to customers with very good ratings, due to stricter lending policies, the new business credit quality was higher than that of the existing portfolio.

Retail business rose by € 277 million to € 36,452 million, compared to year-end 2013. This increase was primarily attributable to Russia and Slovakia.

The financial institutions sector consists mainly of loans and advances to, as well as securities from Western European banks, in addition to loans and advances to the Austrian Raiffeisen Banking Group (as part of the liquidity management within the sector). This portfolio amounted to € 28,672 million at the end of the reporting period, which is an increase of € 1,570 million compared to year-end 2013.

In line with RZB's strategic orientation, credit exposure to sovereigns is kept at a low level. It serves primarily to meet the minimum reserve and liquidity management requirements. The credit portfolio in this division amounted to € 23,588 million in the first half of 2014, which equals an increase of € 1,215 million compared to year-end 2013.

Ukraine and Russia

In the first six months of the current year, the dominant theme in the international financial markets continued to be the geopolitical tensions in Ukraine, together with the threatening expansions of sanctions against Russia, as well as uncertainity over the future course of the Russian administration. Parallelly, the Russian rouble and Ukrainian hryvnia devalued significantly against the US Dollar and the euro.

This situation continues to be linked to adverse effects on RZB's result, with the rapid depreciation of the local currencies and associated credit risk for foreign currency loans presenting the main potential drivers in relation to RZB's provisioning and capital position.

In response to these developments, RZB took a series of countermeasures in the first half of 2014, including, for example, further restrictions on granting foreign currency loans, more selective lending to corporate customers in various industries, and more comprehensive monitoring of customers' payment behavior. The preservation of a stable local liquidity position is also a key priority.

Hungary

The market environment in Hungary continues to be difficult and is currently under special review. Following the "Home Protection Law" in 2011, in which the Hungarian state granted private debtors early repayment of foreign currency loans under preferential conditions, and which resulted in losses for RZB, several new government programs in favor of foreign exchange loan debtors have been prepared that might potentially have significant negative effects on RZB's result.

Additionally, new legislation was recently passed by the Hungarian parliament relating to the FX margins, which can be applied to foreign currency loan disbursement and installments, and unilateral rate changes on consumer loans. The new law applies to all banks operating in Hungary and requires retroactive modifications to margins and potentially to rates.

Changes in the regulatory environment

In the current reporting year, RZB continues to focus intensively on both existing and forthcoming regulatory requirements. One of the major themes, for which preparations were made in the past, is the amended legal regulations that came into effect with the EU directives on Basel III (CRD IV/CRR) at the beginning of the financial year. Under the new Basel III regulations, risk management continues to focus on the ongoing implementation of advanced calculation approaches in 2014. These activities comprise the implementation of the internal ratings-based (IRB) approach in the retail and non-retail business of CEE subsidiaries, as well as further development of the internal market risk model and Group-wide further development of the standard approach for operational risk.

Simultaneously with Basel III, the new Austrian Bank Intervention and Restructuring Law came into effect at the beginning of 2014. This regulation required RZB to submit a plan for in the event of restructuring to the Financial Market Authority by June 2014. Plans for a potential resolution are currently being developed and are due by the end of the current financial year.

In October 2013, the Single Supervisory Mechanism (SSM) for the oversight of banks and credit institutions for a number of EU member states, including Austria, came into effect. The SSM will empower the ECB to directly supervise banks in the euro area, and other member states, which decide to join this banking union. Therefore, focus was put on reforms resulting from the SSM, especially the associated comprehensive assessment by the ECB, which also led to an asset quality review (AQR) and pan-European stress test during the first half of 2014.

Outlook

RBI exerts the most significant influence on business performance in the RZB Group. RBI expects loans and advances to customers in 2014 to remain at the approximate level of the previous year. It anticipates a net provisioning requirement of between € 1,300 million and € 1,400 million in 2014, however, results may be impacted by the ECB Asset Quality Review process and further deterioration of the situation in Ukraine and Russia.

In the course of its cost reduction program, RBI plans to reduce general administrative expenses to below the level of 2012 by 2016. RBI aims to achieve a cost/income ratio of between 50 to 55 per cent by 2016. Costs in 2014 are expected to be below the level of 2013. In the medium term, RBI aims for a return on equity before tax of approximately 15 per cent and a consolidated return on equity of approx-imately 12 per cent.

The ZukunftPLUS program will also be implemented forcefully in 2014. The program is designed to improve Raiffeisen Banking Group's (RBG) processes and structures at the federal level while at the same time bundling processing areas and staff departments in order to realize synergies and efficiency potential. By leveraging all existing potential synergies, RZB assumes savings of about € 25 million to € 30 million per year.

Interim consolidated financial statements

(Interim report as at 30 June 2014)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2014	1/1-30/6/2013	Change
Interest income		3,092	3,083	0.3%
Current income from associates		59	88	(32.8)%
Interest expenses		(1,054)	(1,232)	(14.4)%
Net interest income	**[2]**	**2,097**	**1,939**	**8.1%**
Net provisioning for impairment losses	[3]	(587)	(455)	28.9%
Net interest income after provisioning		**1,511**	**1,484**	**1.8%**
Fee and commission income		1,075	971	10.7%
Fee and commission expense		(270)	(183)	47.5%
Net fee and commission income	**[4]**	**805**	**788**	**2.2%**
Net trading income	[5]	7	144	(94.9)%
Net income from derivatives and liabilities	[6]	(65)	(183)	(64.8)%
Net income from financial investments	[7]	100	64	56.5%
General administrative expenses	[8]	(1,633)	(1,663)	(1.8)%
Other net operating income	[9]	(125)	(55)	126.6%
Net income from disposal of group assets		(11)	(6)	77.6%
Profit before tax		**590**	**573**	**3.0%**
Income taxes	[10]	(156)	(154)	1.2%
Profit after tax		**434**	**419**	**3.7%**
Profit attributable to non-controlling interests		(237)	(171)	38.6%
Consolidated profit		**197**	**248**	**(20.5)%**

Earnings per share

in €	1/1-30/6/2014	1/1-30/6/2013	Change
Earnings per share	29.06	36.56	(7.50)

Earnings per share are obtained by dividing adjusted consolidated profit by the average number of common shares outstanding. As at 30 June 2014, the average number of share was 6,776,750 (30 June 2013: 6,776,750).

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

Other comprehensive income and total comprehensive income

	Total		Group equity		Non-controlling interests	
in € million	1/1-30/6 2014	1/1-30/6 2013	1/1-30/6 2014	1/1-30/6 2013	1/1-30/6 2014	1/1-30/6 2013
Profit after tax	**434**	**419**	**197**	**248**	**237**	**171**
Items which are not reclassified to profit and loss	**5**	**0**	**5**	**0**	**0**	**0**
Remeasurements of defined benefit plans	7	0	7	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	(2)	0	(2)	0	0	0
Items that may be reclassified subsequently to profit or loss	**(282)**	**(374)**	**(158)**	**(294)**	**(123)**	**(81)**
Exchange differences	(387)	(263)	(229)	(204)	(158)	(59)
Capital hedge	2	0	1	0	1	0
Hyperinflation	25	15	13	11	12	5
Net gains (losses) on derivatives hedging fluctuating cash flows	(2)	(22)	(1)	(17)	(1)	(5)
Changes in equity of companies valued at equity	60	(77)	45	(62)	15	(15)
Net gains (losses) on financial assets available-for-sale	23	(34)	14	(27)	9	(7)
Deferred taxes on income and expenses directly recognized in equity	(3)	6	(2)	5	(1)	1
Other comprehensive income	**(277)**	**(374)**	**(153)**	**(294)**	**(123)**	**(81)**
Total comprehensive income	**158**	**45**	**43**	**(46)**	**114**	**91**

Half year results

in € million	H2/2012	H1/2013	H2/2013	H1/2014
Net interest income	1,733	1,939	1,992	2,097
Net provisioning for impairment losses	(623)	(455)	(745)	(587)
Net interest income after provisioning	**1,110**	**1,484**	**1,247**	**1,511**
Net fee and commission income	798	788	842	805
Net trading income	40	144	178	7
Net income from derivatives and liabilities	(109)	(183)	(67)	(65)
Net income from financial investments	(13)	64	87	100
General administrative expenses[1]	(1,785)	(1,663)	(1,796)	(1,633)
Other net operating income	(67)	(55)	(16)	(125)
Net income from disposal of group assets	14	(6)	2	(11)
Profit/loss before tax	**(14)**	**573**	**476**	**590**
Income taxes[1]	(79)	(154)	(140)	(156)
Profit/loss after tax	**(93)**	**419**	**336**	**434**
Profit attributable to non-controlling interests	(34)	(171)	(162)	(237)
Consolidated profit/loss	**(126)**	**248**	**174**	**197**

1 Adaption of previous year figures due to the retrospective application of IAS 19R.

in € million	H2/2010	H1/2011	H2/2011	H1/2012
Net interest income	1,839	1,811	1,773	1,798
Net provisioning for impairment losses	(589)	(411)	(688)	(407)
Net interest income after provisioning	**1,249**	**1,400**	**1,085**	**1,391**
Net fee and commission income	777	737	755	723
Net trading income	142	257	89	155
Net income from derivatives and liabilities	47	43	366	(23)
Net income from financial investments	93	12	(195)	253
General administrative expenses[1]	(1,601)	(1,554)	(1,654)	(1,555)
Other net operating income	39	(16)	(179)	(12)
Net income from disposal of group assets	1	(3)	0	(1)
Profit before tax	**746**	**877**	**267**	**931**
Income taxes[1]	(65)	(200)	(215)	(198)
Profit after tax	**681**	**677**	**51**	**733**
Profit attributable to non-controlling interests	(369)	(189)	(67)	(237)
Consolidated profit	**312**	**488**	**(16)**	**497**

1 Adaption of previous year figures due to the retrospective application of IAS 19R.

Statement of financial position

Assets in € million	Notes	30/6/2014	31/12/2013	Change
Cash reserve		7,886	8,246	(4.4)%
Loans and advances to banks	[12, 38]	20,069	22,650	(11.4)%
Loans and advances to customers	[13, 38]	90,684	90,594	0.1%
Impairment losses on loans and advances	[14]	(6,147)	(5,990)	2.6%
Trading assets	[15, 38]	7,789	7,535	3.4%
Derivatives	[16, 38]	1,084	994	9.0%
Financial investments	[17, 38]	17,217	16,374	5.1%
Investments in associates	[18, 38]	1,690	1,601	5.6%
Intangible fixed assets	[19]	1,294	1,350	(4.2)%
Tangible fixed assets	[20]	1,989	1,930	3.0%
Other assets	[21, 38]	2,058	2,038	1.0%
Total assets		**145,613**	**147,324**	**(1.2)%**

Equity and liabilities in € million	Notes	30/6/2014	31/12/2013	Change
Deposits from banks	[22, 38]	34,746	33,733	3.0%
Deposits from customers	[23, 38]	73,476	75,660	(2.9)%
Debt securities issued	[24, 38]	12,780	13,452	(5.0)%
Provisions for liabilities and charges	[25, 38]	931	948	(1.8)%
Trading liabilities	[26, 38]	5,632	5,126	9.9%
Derivatives	[27, 38]	461	398	15.7%
Other liabilities	[28, 38]	1,731	2,039	(15.1)%
Subordinated capital	[29]	4,163	4,181	(0.4)%
Equity	[30]	11,693	11,788	(0.8)%
Consolidated equity		6,235	6,546	(4.8)%
Consolidated profit		197	422	(53.3)%
Non-controlling interests		5,261	4,820	0.0%
Total equity and liabilities		**145,613**	**147,324**	**(1.2)%**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as at 1/1/2014	**492**	**1,835**	**4,219**	**422**	**4,820**	**11,788**
Capital increases/decreases	0	0	0	0	291	291
Transferred to retained earnings	0	0	178	(178)	0	0
Dividend payments	0	0	0	(244)	(346)	(590)
Total comprehensive income	0	0	(153)	197	114	158
Dilution	0	0	(355)	0	355	0
Other changes	0	0	19	0	28	47
Equity as at 30/6/2014	**492**	**1,835**	**3,908**	**197**	**5,261**	**11,693**

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as at 1/1/2013[1]	**492**	**1,835**	**4,568**	**373**	**4,903**	**12,172**
Capital increases/decreases	0	0	0	0	8	8
Transferred to retained earnings	0	0	129	(129)	0	0
Dividend payments	0	0	0	(244)	(290)	(534)
Total comprehensive income	0	0	(294)	248	91	45
Other changes	0	0	(13)	0	(2)	(15)
Equity as at 30/6/2013	**492**	**1,835**	**4,390**	**248**	**4,710**	**11,675**

1 Adaption of previous year figures due to the retrospective application of IAS 19R.

Statement of cash flows

in € million	1/1-30/6/2014	1/1-30/6/2013
Cash and cash equivalents at the end of previous period	**8,246**	**12,157**
Cash from the acquisition of subsidiaries	0	0
Net cash from operating activities	383	(3,519)
Net cash from investing activities	(551)	(229)
Net cash from financing activities	(37)	(272)
Effect of exchange rate changes	(156)	(127)
Cash and cash equivalents at the end of period	**7,886**	**8,010**

Segment reporting

Internal management reporting at RZB is based on the current organizational structure. Segmentation is based on cash-generating units. Accordingly, the RZB 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. These reporting criteria were accordingly seen as material in accordance with IFRS 8 for the purpose of segmentation.

Since Raiffeisen Zentralbank acts primarily as the lead member of Raiffeisen Banking Group (RBG) and as the holding company for participations, the segments are defined on the basis of the participation structure following the merger of its principal business areas with Raiffeisen International Bank-Holding AG. Besides the majority holding in the Raiffeisen Bank International AG (RBI AG) and its activity as the lead member of RBG, RZB AG holds shares in other companies in its participation portfolio.

These three main business areas correspond to the segments as defined. Segmentation is based on the current Group structure. Since the RBI segment is the largest by far, we refer to segment reporting in the RBI consolidated annual report for maximum transparency. The consolidated financial statements of RBI largely reflect the RBI segment in the consolidated financial statements of RZB.

Raiffeisen Bank International Group (RBI)

This segment comprises the net income of the RBI group. RBI AG is by far the largest participation of RZB. As the lead bank in the RZB credit institution group, RZB AG has corresponding management and control responsibilities. Together with representatives of its owners, RZB AG appoints eight of the ten RBI Supervisory Board members, and the RZB AG Chief Risk Officer holds the same position on the RBI Management Board. Besides the direct net income from RBI activities, the segment also covers the costs incurred for services provided by RZB AG in various areas, such as audit or risk.

Raiffeisen Banking Group (RBG)

This segment consolidates the activities and participations that enable RZB AG to perform its tasks as the lead bank of Austrian RBG. This segment accordingly reports all the net income from the banking business of RZB AG within RBH. In addition, it shows the leasing business of RZB with numerous project companies in Austria and abroad. At the end of 2013, RZB AG took over the majority of business divisions such as the building societies, factoring and investment fund business that were until then jointly operated with the Regional Raiffeisen Banks (Raiffeisen-Landeszentralen). Consequently, the previously at equity included results are fully consolidated as of 2014. The results from the remaining participations portfolio that belongs to RBG are also shown in this segment. Allocated costs from group-wide services are also attributed to this segment. These are amongst others group services such as Sector-Marketing and Sector-Services.

Other equity participations

The segment for other equity participations shows net income from participations not connected with the function of RZB AG as the lead member of Austrian RBG. This RZB AG equity participation portfolio contains predominantly non-controlling interests from the non-bank area, with income from companies valued and recognized at equity that do not belong to RBG. These include inter alia investments in Leipnik-Lundenburger Invest Beteiligungs AG (holding company with investments in flour and milling industries and vending) and Raiffeisen evolution project development GmbH (development of high-quality residential and commercial property). Additionally, the investment in Notartreuhandbank AG is reported in this segment. The segment for other equity participations also reports the costs and income from internal allocation and netting. Income from companies valued and recognized at equity with strategic participation nature is also reported here; this includes, in particular, UNIQA Insurance Group AG.

The reconciliation includes primarily the amounts resulting from the elimination of intercompany results and from cross-segment consolidation. The income statement is finally supplemented by the standard industry financial ratios used to evaluate results.

1/1-30/6/2014 in € million	RBI	RBG	Other Equity participations	Reconciliation	Total
Net interest income	1,974	82	55	(13)	2,097
Net fee and commission income	769	33	0	3	805
Net trading income	9	0	0	(1)	7
Sundry net operating income	24	35	16	(24)	52
Operating income	**2,775**	**150**	**71**	**(35)**	**2,962**
General administrative expenses	(1,533)	(106)	(18)	24	(1,633)
Operating result	**1,243**	**43**	**54**	**(11)**	**1,329**
Net provisioning for impairment losses	(568)	(19)	0	0	(587)
Other results	(145)	0	1	(9)	(152)
Profit before tax	**530**	**25**	**55**	**(20)**	**590**
Income taxes	(147)	(9)	0	0	(156)
Profit after tax	**383**	**16**	**56**	**(20)**	**434**
Profit attributable to non-controlling interests	(217)	(19)	(7)	6	(237)
Profit/loss after non-controlling interests	**165**	**(3)**	**49**	**(14)**	**197**
Share of profit before tax	86.9%	4.0%	9.1%	–	100.0%
Risk-weighted assets (credit risk)	64,669	8,409	2,176	(363)	74,891
Total own funds requirement	6,259	724	179	(34)	7,128
Assets	127,364	23,015	5,280	(10,046)	145,613
Risk/revenue ratio	28.8%	23.1%	0.0%	–	28.0%
Cost/income ratio	55.2%	71.1%	24.6%	–	55.1%
Average equity	11,399	1,000	188	451	13,039
Return on equity before tax	**9.3%**	**4.9%**	**58.7%**	**–**	**9.0%**
Business outlets	2,934	16	0	1	2,951

1/1-30/6/2013 in € million	RBI	RBG	Other Equity participations	Reconciliation	Total
Net interest income	1,836	91	11	1	1,939
Net fee and commission income	786	3	0	(1)	788
Net trading income	140	(2)	0	6	144
Sundry net operating income	59	29	18	(20)	86
Operating income	**2,822**	**121**	**29**	**(14)**	**2,958**
General administrative expenses	(1,633)	(34)	(18)	22	(1,663)
Operating result	**1,189**	**87**	**11**	**7**	**1,294**
Net provisioning for impairment losses	(469)	(13)	0	27	(455)
Other results	(263)	14	(9)	(9)	(266)
Profit before tax	**457**	**87**	**2**	**26**	**573**
Income taxes	(155)	(1)	2	0	(154)
Profit after tax	**303**	**87**	**4**	**26**	**419**
Profit attributable to non-controlling interests	(165)	(4)	0	(3)	(171)
Profit after non-controlling interests	**138**	**83**	**4**	**23**	**248**
Share of profit before tax	83.6%	16.0%	0.4%	–	100.0%
Risk-weighted assets (credit risk)	67,643	6,560	1,207	(3,465)	71,945
Total own funds requirement	6,619	534	100	(289)	6,963
Assets	130,382	14,529	5,456	(10,867)	139,500
Risk/revenue ratio	25.5%	14.5%	–	–	23.5%
Cost/income ratio	57.9%	28.2%	62.1%	–	58.9%
Average equity	11,527	922	151	(510)	12,089
Return on equity before tax	**7.9%**	**19.0%**	**3.1%**	**–**	**9.5%**
Business outlets	3,056	9	0	1	3,066

Notes

Principles underlying the consolidated financial statements

Policies

The condensed interim consolidated financial statements of RZB 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). The condensed consolidated interim financial statements as of 30 June 2014 are prepared in accordance with IAS 34.

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 issues of credit risk, concentration risk, market risk and liquidity risk.

The interim report for the first half year of 2014 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).

In the interim reporting, the same recognition and measurement principles and consolidation methods were fundamentally applied as those used in preparing the 2013 consolidated financial statements (see 2013 Annual Report, page 76 ff). Standards and interpretations to be applied in the EU from 1 January 2014 onward were accounted for in this interim report. The application of these standards had no material influence on the condensed interim consolidated financial statements.

Application of new and revised standards

All those accounting standards described below, are of relevance for the Group and were applied for the preparation of the condensed consolidated interim financial statements for the first half of 2014.

IFRS 10 replaces the parts of IAS 27 (Consolidated and Separate Financial Statements) that deal with consolidated financial statements. SIC 12 (Consolidation – Special Purpose Entities) will be replaced by IFRS 10. In IFRS 10, there is only one basis for consolidation, namely control. Under IFRS 10, control exists if an investor has all three of the following elements: (a) controlling influence over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in the standard to deal with complex scenarios.

Due to the first-time application of IFRS 10, the structured company Compass Variety Funding Limited, Dublin (IE), was fully consolidated for the first time, due to the fact that RZB has control over specified assets (leasing claims) according to IFRS 10.B76–IFRS 10.B79, which are separated from the general participation entity. Due to the initial consolidation of the structured company, refinancing gathered via the structured entity of € 52 million as at reporting date (31 December 2013: € 66.8 million) was shown under deposits from banks.

IFRS 11 replaces IAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities – Non-Monetary Contributions by Ventures). From 1 January 2014 onward, IFRS 11 deals with how a joint arrangement should be classified. Joint arrangements are classified as a contractual agreement in which two or more parties practice joint management. Joint management can extend to a joint venture or a joint operation. In contrast to IAS 31, accounting for jointly controlled assets is no longer addressed separately in IFRS 11; the rules for joint ventures are applied. The classification of a joint arrangement as joint operation or joint venture depends on the rights and obligations of the parties to the agreement. In addition, joint ventures under IFRS 11 must be accounted for using the equity method, whereas jointly controlled entities under IAS 31 can be accounted for using proportionate consolidation or the equity method. The first-time application of the revised version of IFRS 11 has no impact on the consolidated financial statements.

IFRS 12 is a disclosure standard regarding statements in the notes. From 1 January 2014 onward, it is applicable to entities that have interests in subsidiaries, joint arrangements (joint ventures or joint operations), associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are far more extensive than those in the current standards. The first-time application of the revised version of IFRS 12 will lead to additional statements in the notes at year-end 2014, but has no accounting impact on the consolidated financial statements of RZB.

The amendment of IFRS 10, IFRS 11 and IAS 27 provide an exception to the consolidation requirements of subsidiaries in IFRS 10 (Consolidated Financial Statements) as of 1 January 2014. This applies if the parent company meets the definition of an "investment company" (for example, certain mutual funds). These entities measure their investments in particular subsidiaries at fair value through profit and loss in accordance with IFRS 9 (Financial Instruments) or IAS 39 (Financial Instruments: Recognition and Measurement). These amendments have no impact on the consolidated financial statements of RZB. Additionally, the transition guidance in IFRS 10, IFRS 11 and IFRS 12 was clarified and reliefs were provided in all three standards. Adjusted comparative information is only required for the preceding comparable period. Moreover, in connection with the disclosure in the notes on non-consolidated structured entities, there is no obligation to provide comparative information for periods that precede the first-time application of IFRS 12.

From 1 January 2014 onward, joint ventures are added to the scope of the revised IAS 28, as under IFRS 11, joint ventures may only be included in the consolidated financial statements according to the equity method, which is the only allowable method. The first-time application of the revised version of IAS 28 has no impact on the consolidated financial statements.

The amendments made to IAS 32 clarify existing application issues relating to the offsetting of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set off" and "simultaneous realization and settlement". The first-time application of the revised version of IAS 32 as at 1 January 2014 has no impact on the consolidated financial statements.

From 1 January 2014 on, the amendments of IAS 36 involve a correction of the disclosure rules that were changed, more extensively than originally intended, in connection with IFRS 13. These relate to impaired assets in which the recoverable amount is equivalent to fair value less costs of disposal. At present, the recoverable amount must be disclosed regardless of impairment. The correction now restricts the disclosure to actual impairments, but extends the disclosures to be made in such cases. These changes – apart from the possible need to make additional disclosures – will have no influence on the consolidated financial statements.

From 1 January 2014 onward, as a result of the amendments of IAS 39 derivatives remain designated as hedging instruments in existing hedging relationships despite novation. Novation refers to cases in which the original parties to a derivatives contract agree that a central counterparty shall replace their original counterparty to become the counterparty to each of the original parties. The fundamental requirement is that the use of a central counterparty is required by law or regulation. Moreover, changes to contractual arrangements must be limited to those that are necessary for novation. The objective of the amendments is to avoid any impact on hedge accounting as a consequence of the write-off of the derivative on the conversion of the contract to a central counterparty. The changes have no material impact on the consolidated financial statements.

Critical accounting judgements and key sources of estimation uncertainty

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely 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.

Currencies

Rates in units per €	2014		2013	
	As at 30/6	Average 1/1-30/6	As at 31/12	Average 1/1-30/6
Albanian lek (ALL)	140.260	140.179	140.200	140.124
Belarusian rouble (BYR)	13,890.000	13,511.429	13,080.000	11,345.714
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)	7.576	7.621	7.627	7.560
Czech koruna (CZK)	27.453	27.442	27.427	25.658
Hungarian forint (HUF)	309.300	306.810	297.040	296.553
Kazakh tenge (KZT)	249.920	239.423	211.170	197.999
Malaysian Ringgit (MYR)	4.386	4.479	4.522	4.058
Polish zloty (PLN)	4.157	4.178	4.154	4.195
Romanian leu (RON)	4.383	4.452	4.471	4.397
Russian rouble (RUB)	46.378	47.850	45.325	40.847
Serbian dinar (RSD)	115.785	115.571	114.642	112.160
Singapore Dollar (SGD)	1.705	1.729	1.741	1.630
Swedish Krona (SEK)	9.176	8.977	8.859	8.560
Turkish Lira (TRY)	2.897	2.963	2.961	2.392
Ukrainian hryvna (UAH)	16.087	14.069	11.042	10.472
US-Dollar (USD)	1.366	1.372	1.379	1.312

Changes in consolidated group

	Fully consolidated		Equity method	
Number of units	**30/6/2014**	**31/12/2013**	**30/6/2014**	**31/12/2013**
As at beginning of period	**360**	**341**	**9**	**14**
Included for the first time in the financial period	8	40	0	1
Merged in the financial period	(2)	(6)	0	0
Excluded in the financial period	(28)	(15)	0	(6)
As at end of period	**338**	**360**	**9**	**9**

Most of the entities firstly integrated into the Group are special financing companies from leasing and two from investment business. 22 entities were excluded due to immateriality and one due to bankruptcy. Further five entities were sold.

Disposal of group assets

in € million	ELSNER-Group	RBMT	Others	Total
Assets	70	103	78	252
Liabilities	58	1	79	137
Total identifiable net assets	**12**	**102**	**(1)**	**114**
Non-controlling interests	0	0	0	0
Net assets after non-controlling interests	**12**	**102**	**0**	**114**
Goodwill	0	0	0	0
Goodwill/Badwill from exchange differences	0	0	0	0
Selling price/carrying amount	1	102	1	103
Net income from disposal of group assets	**(11)**	**(1)**	**1**	**(11)**

ELSNER-Group: Warenhandelsgruppe F.J. Elsner, Vienna
RBMT: Raiffeisen Malta Bank plc, Sliema

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from financial assets and liabilities held-for-trading	278	5
Net income from financial assets and liabilities at fair value through profit or loss	145	177
Net income from financial assets available-for-sale	16	48
Net income from loans and advances	2,003	2,134
Net income from financial assets held-to-maturity	96	96
Net income from financial liabilities measured at acquisition cost	(1,053)	(1,230)
Net income from derivatives (hedging)	66	6
Net revaluations from exchange differences	(57)	185
Other operating income/expenses	(904)	(849)
Total profit before tax from continuing operations	**590**	**573**

(2) Net interest income

in € million	1/1-30/6/2014	1/1-30/6/2013
Interest and interest-like income, total	**3,092**	**3,083**
Interest income	3,060	3,053
from balances at central banks	18	28
from loans and advances to banks	120	101
from loans and advances to customers	2,331	2,336
from financial investments	246	262
from leasing claims	108	114
from derivative financial instruments (non-trading), net	237	211
Current income	20	20
from shares and other variable-yield securities	1	1
from shares in affiliated companies	13	14
from other interests	6	5
Interest-like income	12	11
Current income from associates	**59**	**88**
Interest expenses and interest-like expenses, total	**(1,054)**	**(1,232)**
Interest expenses	(1,024)	(1,211)
on deposits from central banks	(5)	(1)
on deposits from banks	(190)	(227)
on deposits from customers	(550)	(697)
on debt securities issued	(176)	(191)
on subordinated capital	(102)	(94)
Interest-like expenses	(30)	(21)
Total	**2,097**	**1,939**

(3) Net provisioning for impairment losses

in € million	1/1-30/6/2014	1/1-30/6/2013
Individual loan loss provisions	**(574)**	**(443)**
Allocation to provisions for impairment losses	(905)	(901)
Release of provisions for impairment losses	356	448
Direct write-downs	(55)	(26)
Income received on written-down claims	31	36
Portfolio-based loan loss provisions	**(15)**	**(20)**
Allocation to provisions for impairment losses	(200)	(217)
Release of provisions for impairment losses	185	197
Gains from the sales of loans	**2**	**7**
Total	**(587)**	**(455)**

(4) Net fee and commission income

in € million	1/1-30/6/2014	1/1-30/6/2013
Payment transfer business	358	348
Loan and guarantee business	97	124
Securities business	62	74
Foreign currency, notes/coins, and precious metals business	180	171
Management of investment and pension funds	58	15
Sale of own and third party products	23	23
Credit derivatives business	0	0
Other banking services	27	32
Total	**805**	**788**

(5) Net trading income

in € million	1/1-30/6/2014	1/1-30/6/2013
Interest-based transactions	38	18
Currency-based transactions	(27)	107
Equity-/index-based transactions	29	15
Credit derivatives business	0	1
Other transactions	(33)	3
Total	**7**	**144**

The refinancing expenses for trading assets that are included in net trading income amounted to € 26 million (comparable period: € 27 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from hedge accounting	6	(2)
Net income from credit derivatives	0	0
Net income from other derivatives	36	(158)
Net income from liabilities designated at fair value	(108)	(24)
Income from repurchase of liabilities	1	0
Total	**(65)**	**(183)**

(7) Net income from financial investments

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from securities held-to-maturity	**0**	**1**
Net valuations of securities	0	0
Net proceeds from sales of securities	0	1
Net income from equity participations	**(3)**	**29**
Net valuations of equity participations	(4)	(11)
Net proceeds from sales of equity participations	1	40
Net income from securities at fair value through profit and loss	**102**	**34**
Net valuations of securities	98	26
Net proceeds from sales of securities	4	8
Net income from available-for-sale securities	**1**	**0**
Total	**100**	**64**

(8) General administrative expenses

in € million	1/1-30/6/2014	1/1-30/6/2013
Staff expenses	(842)	(845)
Other administrative expenses	(613)	(621)
Depreciation of tangible and intangible fixed assets	(177)	(198)
Total	**(1,633)**	**(1,663)**

(9) Other net operating income

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income arising from non-banking activities	30	44
Sales revenues from non-banking activities	264	359
Expenses arising from non-banking activities	(234)	(315)
Net income from additional leasing services	(1)	11
Revenues from additional leasing services	35	40
Expenses from additional leasing services	(36)	(30)
Rental income from operating lease (vehicles and equipment)	22	20
Rental income from investment property incl. operating lease (real estate)	22	17
Net proceeds from disposal of tangible and intangible fixed assets	8	1
Other taxes	(150)	(161)
hereof bank levies	(109)	(133)
Impairment of goodwill	0	(8)
Net expense from allocation and release of other provisions	(6)	(4)
Sundry operating income	60	47
Sundry operating expenses	(108)	(19)
Total	**(125)**	**(55)**

(10) Income taxes

in € million	1/1-30/6/2014	1/1-30/6/2013
Current income taxes	(159)	(207)
Austria	(33)	(73)
Foreign	(126)	(134)
Deferred taxes	4	53
Total	**(156)**	**(154)**

Notes to the statement of financial position

(11) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/6/2014	31/12/2013[1]
Cash reserve	7,886	8,246
Trading assets	8,149	7,956
Financial assets at fair value through profit or loss	8,871	8,818
Investments in associates	1,690	1,601
Financial assets available-for-sale	2,468	2,336
Loans and advances	106,665	109,293
Financial assets held-to-maturity	5,878	5,220
Derivatives (hedging)	723	573
Other assets	3,283	3,280
Total assets	**145,613**	**147,324**

1 Adaptation of previous year's figures due to change classification.

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	30/6/2014	31/12/2013
Trading liabilities	5,970	5,392
Financial liabilities	124,204	126,452
Liabilities at fair value through profit and loss	2,692	2,612
Derivatives (hedging)	123	133
Provisions for liabilities and charges	931	948
Equity	11,693	11,788
Total equity and liabilities	**145,613**	**147,324**

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

(12) Loans and advances to banks

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

in € million	30/6/2014	31/12/2013
Austria	7,250	8,617
Foreign	12,819	14,033
Total	**20,069**	**22,650**

Loans and advances to banks include € 5,801 million (31/12/2013: € 4,664 million) from repo transactions.

(13) Loans and advances to customers

Loans and advances to customers break down into following asset classes:

in € million	30/6/2014	31/12/2013
Sovereigns	2,021	1,806
Corporate customers – large corporates	52,101	52,013
Corporate customers – mid market	3,555	3,742
Retail customers – private individuals	30,050	30,123
Retail customers – small and medium-sized entities	2,957	2,911
Total	**90,684**	**90,594**

Loans and advances to customers include € 1,216 million (31/12/2013: € 1,323 million) from repo transactions.

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

in € million	30/6/2014	31/12/2013
Austria	14,336	14,190
Foreign	76,348	76,404
Total	**90,684**	**90,594**

(14) Impairment losses on loans and advances

Provisions for impairment losses are allocated to the following asset classes:

in € million	30/6/2014	31/12/2013
Banks	112	118
Sovereigns	1	6
Corporate customers – large corporates	3,309	3,075
Corporate customers – mid market	452	631
Retail customers – private individuals	1,932	1,823
Retail customers – small and medium-sized entities	342	336
Total	**6,147**	**5,990**

(15) Trading assets

in € million	30/6/2014	31/12/2013
Bonds, notes and other fixed-interest securities	3,857	3,943
Shares and other variable-yield securities	384	408
Positive fair values of derivative financial instruments	3,547	3,184
Call/time deposits from trading purposes	0	0
Total	**7,789**	**7,535**

(16) Derivatives

in € million	30/6/2014	31/12/2013
Positive fair values of derivatives in fair value hedges (IAS 39)	700	544
Positive fair values of derivatives in cash flow hedges (IAS 39)	0	6
Positive fair values of derivatives in net investment hedge (IAS 39)	24	23
Positive fair values of credit derivatives	0	0
Positive fair values of other derivatives	360	421
Total	**1,084**	**994**

(17) Financial investments

in € million	30/6/2014	31/12/2013
Bonds, notes and other fixed-interest securities	16,027	15,037
Shares and other variable-yield securities	565	689
Equity participations	625	648
Total	**17,217**	**16,374**

(18) Investments in associates

in € million	30/6/2014	31/12/2013
Investments in associates	1,690	1,629
hereof goodwill	314	314

(19) Intangible fixed assets

in € million	30/6/2014	31/12/2013
Goodwill	617	627
Software	544	560
Other intangible fixed assets	133	163
Total	**1,294**	**1,350**

(20) Tangible fixed assets

in € million	30/6/2014	31/12/2013
Land and buildings used by the Group for own purpose	779	845
Other land and buildings (investment property)	371	240
Office furniture, equipment and other tangible fixed assets	420	459
Leased assets (operating lease)	419	386
Total	**1,989**	**1,930**

(21) Other assets

in € million	30/6/2014	31/12/2013
Tax assets	691	727
Current tax assets	169	187
Deferred tax assets	521	540
Receivables arising from non-banking activities	114	115
Accruals and deferred items	383	243
Clearing claims from securities and payment transfer business	559	391
Lease in progress	42	86
Assets held for sale (IFRS 5)	59	56
Inventories	93	172
Valuation fair value hedge portfolio	28	16
Other assets	89	233
Total	**2,058**	**2,038**

(22) Deposits from banks

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

in € million	30/6/2014	31/12/2013
Austria	19,935	20,399
Foreign	14,812	13,333
Total	**34,746**	**33,733**

Deposits from banks include € 1,204 million (31/12/2013: € 1,220 million) from repo transactions.

(23) Deposits from customers

Deposits from customers break down as follows:

in € million	30/6/2014	31/12/2013
Sovereigns	1,542	828
Corporate customers – large corporates	28,783	31,535
Corporate customers – mid market	2,463	2,452
Retail customers – private individuals	36,065	36,126
Retail customers – small and medium-sized entities	4,149	4,280
Other	473	439
Total	**73,476**	**75,660**

Deposits from customers include € 8 million (31/12/2013: € 743 million) from repo transactions.

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

in € million	30/6/2014	31/12/2013
Austria	11,188	11,788
Foreign	62,288	63,872
Total	**73,476**	**75,660**

(24) Debt securities issued

in € million	30/6/2014	31/12/2013
Bonds and notes issued	11,535	12,965
Money market instruments issued	1,194	428
Other debt securities issued	51	59
Total	**12,780**	**13,452**

(25) Provisions for liabilities and charges

in € million	30/6/2014	31/12/2013
Severance payments and other	95	95
Retirement benefits	88	88
Taxes	149	135
Current	87	82
Deferred	61	53
Contingent liabilities and commitments	111	145
Pending legal issues	65	57
Overdue vacation	60	62
Bonus payments	191	243
Restructuring	7	9
Other	165	115
Total	**931**	**948**

(26) Trading liabilities

in € million	30/6/2014	31/12/2013
Negative fair values of derivative financial instruments	**4,394**	**3,965**
Interest-based transactions	2,735	2,393
Currency-based transactions	502	590
Equity-/index-based transactions	1,002	840
Credit derivatives business	9	8
Other transactions	147	133
Short-selling of trading assets	**572**	**551**
Certificates issued	**666**	**610**
Total	**5,632**	**5,126**

(27) Derivatives

in € million	30/6/2014	31/12/2013
Negative fair values of derivatives in fair value hedges (IAS 39)	105	104
Negative fair values of derivatives in cash flow hedges (IAS 39)	18	28
Negative fair values of credit derivatives	0	0
Negative fair values of other derivative financial instruments	338	265
Total	**461**	**398**

(28) Other liabilities

in € million	30/6/2014	31/12/2013
Liabilities from non-banking activities	136	211
Prepayments and other deferrals	266	305
Liabilities from dividends	2	4
Clearing claims from securities and payment transfer business	473	580
Valuation fair value hedge portfolio	67	39
Other liabilities	470	578
Total	**1,731**	**2,039**

(29) Subordinated capital

in € million	30/6/2014	31/12/2013
Hybrid tier 1 capital	441	451
Subordinated liabilities	3,657	3,359
Supplementary capital	65	370
Total	**4,163**	**4,181**

(30) Equity

in € million	30/6/2014	31/12/2013
Consolidated equity	6,235	6,546
Subscribed capital	492	492
Capital reserves	1,835	1,835
Retained earnings	3,908	4,219
Consolidated profit	197	422
Non-controlling interests	5,261	4,820
Total	**11,693**	**11,788**

Risk report

(31) Risks arising from financial instruments

Active risk management is a core competency of RZB. In order to effectively identify, measure and manage risks, the Group has implemented a comprehensive risk management and controlling system. The risk management system is an integral part of overall bank management and it is continuously being developed. RZB'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 2013 Annual Report.

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 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 the economic capital attributed to the unit (return on risk-adjusted capital, RoRAC).

Risk contribution of individual risk types to economic capital:

in € million	30/6/2014	Share	31/12/2013	Share
Credit risk corporate customers	2,651	30.5%	2,789	31.9%
Credit risk retail customers	2,091	24.0%	2,147	24.6%
Operational risk	770	8.9%	734	8.4%
Market risk	748	8.6%	638	7.3%
Participation risk	557	6.4%	371	4.2%
Credit risk sovereigns	502	5.8%	506	5.8%
Credit risk financial institutions	319	4.8%	320	4.8%
Other tangible fixed assets	279	3.7%	333	3.7%
Macroeconomic risk	193	3.2%	193	3.8%
Liquidity risk	122	2.2%	297	2.2%
CVA risk	54	1.4%	0	3.4%
Risk buffer	414	0.6%	416	0.0%
Total	**8,699**	**100.0%**	**8,745**	**100.0%**

The group uses a confidence level of 99.95 per cent for calculating economic capital. This confidence level is derived from the probability of default implied by the target rating. The objective of calculating economic capital is to determine the amount of capital that would be required for servicing all of the claims of customers and creditors even in the case of such an extremely rare loss event.

Credit risk

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

The following table translates items of the statement of financial position (banking and trading book positions) into the maximum credit exposure, which is used in portfolio management. 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 total assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. Deviations between the figures of internal portfolio management and external accounting are caused by the different scopes of consolidation (regulatory versus IFRS, i.e. corporate legal basis), different classification and presentations of exposure volumes.

in € million	30/6/2014	31/12/2013
Cash reserve	5,743	5,738
Loans and advances to banks	20,069	22,650
Loans and advances to customers	90,684	90,594
Trading assets	7,789	7,535
Derivatives	1,084	994
Financial investments	16,027	15,037
Other assets	240	276
Contingent liabilities	11,420	11,553
Commitments	9,898	10,753
Revocable credit lines	16,419	16,886
Description differences	71	(4,373)
Total	**179,445**	**177,641**

Items on the statement of financial position contain 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. good credit standing 4 for corporates, 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 27 grades for corporate customers and 10 grades for financial institutions and sovereigns. For retail asset classes, country specific scorecards are 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). For a better readability, the 25 living grades of the new scale are summarized to the 9 main rating grades. When making an overall assessment of credit risk, collateral and recovery rates in the event of default must also be taken into account.

in € million		30/6/2014	Share	31/12/2013	Share
1	Minimal risk	6,986	8.5%	6,507	7.9%
2	Excellent credit standing	10,744	13.1%	10,435	12.6%
3	Very good credit standing	7,729	9.5%	8,383	10.1%
4	Good credit standing	11,772	14.4%	11,025	13.3%
5	Sound credit standing	14,361	17.6%	13,929	16.8%
6	Acceptable credit standing	12,292	15.0%	12,974	15.7%
7	Marginal credit standing	7,217	8.8%	7,561	9.1%
8	Weak credit standing / sub-standard	2,239	2.7%	2,712	3.3%
9	Very weak credit standing / doubtful	1,699	2.1%	2,119	2.6%
10	Default	5,807	7.1%	5,690	6.9%
NR	Not rated	908	1.1%	1,444	1.7%
Total		**81,753**	**100.0%**	**82,779**	**100.0%**

Compared to year-end 2013, total credit exposure for corporate customers decreased € 1,026 million to € 81,753 million. With 95.3 per cent or € 77,902 million (2013: € 78,518 million) Raiffeisen Bank International represents the largest segment.

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

in € million	30/6/2014	Share	31/12/2013	Share
Central Europe	21,627	23.8%	21,986	23.9%
Austria	18,052	19.9%	18,047	19.6%
Russia	11,541	12.7%	11,520	12.5%
Western Europe	11,112	12.2%	10,431	11.3%
Southeastern Europe	10,274	11.3%	10,339	11.2%
Asia	5,163	5.7%	5,923	6.4%
CEE Other	3,246	3.6%	3,896	4.2%
Other	9,719	10.7%	9,849	10.7%
Total	**90,733**	**100.0%**	**91,992**	**100.0%**

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

in € million	30/6/2014	Share	31/12/2013	Share
Wholesale and retail trade	20,794	22.9%	20,938	22.8%
Manufacturing	18,911	20.8%	18,589	20.2%
Real estate	10,867	12.0%	10,136	11.0%
Financial intermediation	9,098	10.0%	8,461	9.2%
Construction	6,794	7.5%	6,833	7.4%
Transport, storage and communication	3,936	4.3%	3,877	4.2%
Electricity, gas, steam and hot water supply	3,951	4.4%	4,228	4.6%
Freelance/technical services	4,800	5.3%	7,345	8.0%
Other industries	11,582	12.8%	11,585	12.6%
Total	**90,733**	**100.0%**	**91,992**	**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		30/6/2014	Share	31/12/2013	Share
6.1	Excellent project risk profile – very low risk	3,348	37.3%	3,508	38.1%
6.2	Good project risk profile – low risk	3,112	34.6%	3,109	33.8%
6.3	Acceptable project risk profile – average risk	1,105	12.3%	1,334	14.5%
6.4	Poor project risk profile – high risk	777	8.7%	631	6.8%
6.5	Default	601	6.7%	617	6.7%
NR	Not rated	37	0.4%	13	0.1%
Total		**8,980**	**100.0%**	**9,213**	**100.0%**

The credit exposure in project finance amounted to € 8,980 million at the end of the first half year of 2014, 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 highest share, at 71.9 per cent. This reflects mainly the high level of collateralization in such specialized lending transactions. Compared to year-end 2013, the share of loans not rated increased to 0.4 per cent or € 37 million.

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 of the behavioral scoring based on account data. The table below provides a breakdown of the retail credit exposure:

in € million	30/6/2014	Share	31/12/2013	Share
Retail customers – private individuals	32,822	90.0%	32,964	91.1%
Retail customers – small and medium-sized entities	3,630	10.0%	3,210	8.9%
Total	**36,452**	**100.0%**	**36,175**	**100.0%**
hereof non-performing loans	2,998	8.2%	3,014	10.5%
hereof individual loan loss provision	2,056	5.6%	1,967	5.8%
hereof portfolio-based loan loss provision	217	0.6%	192	2.0%

Compared to year-end 2013, total credit exposure to retail customers increased € 278 million to € 36,452 million in the second quarter of 2014. The increase is mainly attributable to the expansion of loan volumes in the retail business in Russia and to Raiffeisen Bausparkasse Österreich as well as to currency effects in Hungary. In contrast, the development of the Ukrainian Hyrvna had a negative impact.

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

in € million	30/6/2014	Share	31/12/2013	Share
Mortgage loans	17,882	49.1%	19,547	54.0%
Personal loans	8,069	22.1%	7,752	21.4%
Car loans	3,909	10.7%	3,159	8.7%
Credit cards	2,502	6.9%	2,287	6.3%
Overdraft	2,107	5.8%	1,876	5.2%
SME financing	1,983	5.4%	1,553	4.3%
Total	**36,452**	**100.0%**	**36,175**	**100.0%**

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

in € million	30/6/2014	Share	31/12/2013	Share
Swiss franc	4,397	47.2%	4,560	50.4%
Euro	4,041	43.3%	3,557	39.3%
US-Dollar	875	9.4%	915	10.1%
Other foreign currencies	11	0.1%	11	0.1%
Loans in foreign currencies	**9,324**	**100.0%**	**9,043**	**100.0%**
Share of total loans	**25.6%**		**25.0%**	

Compared to year-end 2013, foreign currency loans in Swiss francs and US-Dollar declined, while Euro loans increased.

Credit portfolio – Financial institutions

The financial institutions asset class mainly contains 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), the default probabilities of individual rating categories in this asset class are estimated based on a combination of internal and external data.

in € million		30/6/2014	Share	31/12/2013	Share
A1	Excellent credit standing	618	2.2%	245	0.9%
A2	Very good credit standing	1,171	4.1%	985	3.6%
A3	Good credit standing	10,885	38.0%	12,721	46.9%
B1	Sound credit standing	10,185	35.5%	8,152	30.1%
B2	Average credit standing	2,424	8.5%	1,836	6.8%
B3	Mediocre credit standing	1,369	4.8%	1,813	6.7%
B4	Weak credit standing	754	2.6%	523	1.9%
B5	Very weak credit standing	482	1.7%	304	1.1%
C	Doubtful/high default risk	161	0.6%	187	0.7%
D	Default	197	0.7%	213	0.8%
NR	Not rated	426	1.5%	123	0.5%
Total		**28,672**	**100.0%**	**27,102**	**100.0%**

Total credit exposure to financial institutions amounted to € 28,672 million in the first half year of 2014. Compared to year-end 2013, this represents an increase of € 1,570 million. At € 10,885 million, or 38.0 per cent, the bulk of this customer group was in the A3 rating class, which decreased € 1,836 million. This decline resulted from money-market and repo transactions. The medium rating classes B1 (sound credit standing) to B3 (mediocre credit standing) accounted for 48.8 per cent of total credit exposure. Compared to year-end 2013, rating class B1 accounted for the highest increase at € 2,032 million which mainly resulted from increases in repo and money-market transactions.

Part of this credit exposure is held against financial institutions that have a shareholer relationship with RZB. Due to the multilayered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the Raiffeisen Banking Group is shown in this asset class as well. Bilateral netting arrangements and joint risk monitoring systems are used as risk mitigation techniques.

The share of loans to financial institutions not rated amounted to 1.5 per cent and was mainly based on short-term loans to small banks, where the rating process had not yet been completed.

The table below shows the total credit exposure to financial institutions (excluding central banks) selected by products:

in € million	30/6/2014	Share	31/12/2013	Share
Derivatives	6,821	23.8%	6,431	23.7%
Money market	6,691	23.3%	6,860	25.3%
Repo	6,201	21.6%	4,683	17.3%
Bonds	3,856	13.5%	3,371	12.4%
Loans	3,312	11.6%	4,011	14.8%
Other	1,790	6.2%	1,746	6.4%
Total	**28,672**	**100.0%**	**27,102**	**100.0%**

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks and regional municipalities, as well as other public sector entities. The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

in € million		30/6/2014	Share	31/12/2013	Share
A1	Excellent credit standing	5,483	23.2%	3,291	14.7%
A2	Excellent credit standing	1,561	6.6%	1,377	6.2%
A3	Good credit standing	4,075	17.3%	4,259	19.0%
B1	Sound credit standing	2,693	11.4%	2,954	13.2%
B2	Average credit standing	2,731	11.6%	1,081	4.8%
B3	Mediocre credit standing	1,935	8.2%	4,187	18.7%
B4	Weak credit standing	3,777	16.0%	3,684	16.5%
B5	Very weak credit standing	820	3.5%	1,404	6.3%
C	Doubtful/high default risk	404	1.7%	5	0.0%
D	Default	1	0.0%	37	0.2%
NR	Not rated	108	0.5%	94	0.4%
Total		**23,588**	**100.0%**	**22,373**	**100.0%**

Compared to year-end 2013, the credit exposure to sovereigns increased € 1,214 million to € 23,588 million which represents 13.2 per cent of the banks`s total credit exposure. The rating class "Excellent credit standing" (Rating A1) reported an increase of € 2,192 million. This was attributable on the one hand to a rise of deposits with the Austrian National Bank (plus € 1,002 million) and on the other hand a portfolio increase of Austrian and German state bonds.

The medium rating classes "Good credit standing" (Rating A3) to "Mediocre credit standing" (Rating B3) accounted for 48.6 per cent. The high level of exposure in the intermediate rating classes was mainly due to deposits of Group units in Central and Southeastern Europe at their local central banks. These are mandatory for meeting the respective minimum reserve requirements or used to manage excess liquidity on a short-term basis, and are therefore inextricably linked to the business activities in these countries.

The exposure in rating classes B4 and B5 amounted to € 4,597 million, or 19.5 per cent, of total loans outstanding. The exposure in the rating class C rose due to a rating deterioration in Ukraine from B5 to C, while the exposure in rating class D declined to € 1 million.

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

in € million	30/6/2014	Share	31/12/2013	Share
Bonds	14,839	62.9%	13,917	62.2%
Loans	7,470	31.7%	7,189	32.1%
Derivatives	714	3.0%	726	3.2%
Other	564	2.4%	541	2.4%
Total	**23,588**	**100.0%**	**22,373**	**100.0%**

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

in € million	30/6/2014	Share	31/12/2013	Share
Hungary	2,069	29.3%	2,235	23.8%
Romania	118	1.7%	2,068	22.0%
Croatia	878	12.4%	990	10.5%
Albania	845	12.0%	844	9.0%
Ukraine	399	5.7%	608	6.5%
Other	2,744	38.9%	2,666	28.3%
Total	**7,054**	**100.0%**	**9,411**	**100.0%**

Compared to year-end 2013, the credit exposure to non-investment grade sovereigns decreased € 2,357 million to € 7,054 million. This decrease mainly resulted from the rating improvement in Romania from B3 to B2.

The credit exposure is mainly based on deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing the short-term investment of excess liquidity, and are therefore inextricably linked to the business activities in these countries.

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) in the statement of financial position and the corresponding share of provisioning:

	NPL		NPL ratio		NPL coverage ratio	
in € million	30/6/2014	31/12/2013	30/6/2014	31/12/2013	30/6/2014	31/12/2013
Corporate customers	6,289	6,232	11.3%	11.2%	59.7%	59.5%
Retail customers	2,998	3,012	9.1%	9.1%	75.9%	71.7%
Sovereigns	0	29	0.0%	1.6%	1.2%	17.6%
Total non-banks	**9,288**	**9,273**	**10.2%**	**10.2%**	**65.0%**	**63.1%**
Banks	139	153	0.7%	0.7%	75.8%	72.6%
Total	**9,427**	**9,426**	**8.5%**	**8.3%**	**65.1%**	**63.5%**

The table below shows 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 € million	As at 1/1/2014	Change in consolidated group	Exchange differences	Additions	Disposals	As at 30/6/2014
Corporate customers	6,232	0	(60)	1,076	(958)	6,289
Retail customers	3,012	0	(53)	446	(406)	2,998
Sovereigns	29	0	(1)	0	(28)	0
Total non-banks	**9,273**	**0**	**(114)**	**1,522**	**(1,392)**	**9,288**
Banks	153	0	0	5	(20)	139
Total	**9,426**	**0**	**(114)**	**1,527**	**(1,412)**	**9,427**

In Corporate Customers, total non-performing loans increased slightly by 0.9 per cent, or € 57 million, to € 6,289 million in the first two quarters of 2014. The ratio of non-performing loans to total credit exposure rose 0.1 percentage points to 11.3 per cent, the NPL coverage ratio went up 0.2 percentage points to 59.7 per cent.

In the retail porfolio, non-performing loans declined 0.5 per cent, or € 14 million, to € 2,998 million. The ratio of non-performing loans to total credit exposure remained stable at 9.1 per cent, while the NPL coverage ratio rose 4.2 percentage points to 75.9 per cent.

Non-performing loans for financial institutions amounted to € 139 million at the end of the second quarter of 2014 and the NPL coverage ratio rose 3.2 percentage points to 75.8 per cent.

The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position:

in € million	As at 1/1/2014	Change in consolidate d group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2014
Individual loan loss provision	5,569	(16)	930	(356)	(333)	(84)	5,710
Portfolio-based loan loss provisions	566	0	200	(187)	0	(31)	547
Total	**6,135**	**(16)**	**1,130**	**(543)**	**(333)**	**(115)**	**6,258**

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

RZB'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 loans reflects the broad diversification of credit business in the European markets. The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country and grouped by region:

in € million	30/6/2014	Share	31/12/2013	Share
Central Europe	**49,390**	**27.5%**	**48,159**	**27.1%**
Poland	14,638	8.2%	14,247	8.0%
Czech Republic	13,281	7.4%	12,325	6.9%
Slovakia	11,864	6.6%	11,773	6.6%
Hungary	8,046	4.5%	8,078	4.5%
Other	1,562	0.9%	1,737	1.0%
Austria	**38,654**	**21.5%**	**38,433**	**21.6%**
European Union	**25,088**	**14.0%**	**22,114**	**12.4%**
Germany	7,474	4.2%	6,066	3.4%
France	4,120	2.3%	5,177	2.9%
Great Britain	6,442	3.6%	4,294	2.4%
Netherlands	1,853	1.0%	1,642	0.9%
Other	5,199	2.9%	4,935	2.8%
Southeastern Europe	**24,866**	**13.9%**	**24,855**	**14.0%**
Romania	8,826	4.9%	8,758	4.9%
Croatia	5,538	3.1%	5,475	3.1%
Bulgaria	3,826	2.1%	3,921	2.2%
Serbia	2,189	1.2%	2,272	1.3%
Other	4,488	2.5%	4,429	2.5%
Russia	**20,498**	**11.4%**	**20,459**	**11.5%**
Far East	**8,056**	**4.5%**	**9,044**	**5.1%**
China	3,421	1.9%	4,208	2.4%
Singapore	1,442	0.8%	1,516	0.9%
Other	3,193	1.8%	3,319	1.9%
CEE Other	**6,401**	**3.6%**	**7,516**	**4.2%**
Ukraine	4,423	2.5%	5,552	3.1%
Other	1,978	1.1%	1,964	1.1%
North America	**3,648**	**2.0%**	**4,146**	**2.3%**
Rest of World	**2,845**	**1.6%**	**2,915**	**1.6%**
Total	**179,445**	**100.0%**	**177,641**	**100.0%**

RZB 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 market business. However, the Group holds virtually no government bonds issued by these countries (except from the Republic of Italy).

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, implied volatilities 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 at 30/6/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Currency risk	58	65	35	122	41
Interest rate risk	8	14	7	32	10
Credit spread risk	12	15	10	24	22
Share price risk	1	1	1	2	1
Vega risk	1	1	0	1	0
Total	69	78	47	131	57

Liquidity risk

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

in € million	30/6/2014			31/12/2013		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	15,210	15,778	17,770	16,638	13,990	13,857
Liquidity ratio	136%	128%	118%	146%	125%	113%

Internal limts are used in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. The Group holds sizeable amounts of liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling short-term liquidity needs exist for all major Group units.

Additional notes

(32) Contingent liabilities and commitments

in € million	30/6/2014	31/12/2013
Contingent liabilities	**11,420**	**11,553**
Acceptances and endorsements	43	38
Credit guarantees	6,435	6,233
Other guarantees	2,753	2,660
Letters of credit (documentary business)	1,650	2,189
Other contingent liabilities	540	433
Commitments	**9,898**	**10,753**
Irrevocable credit lines and stand-by facilities	9,898	10,753
Up to 1 year	3,306	2,937
More than 1 year	6,592	7,816

(33) Derivatives

30/6/2014	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	31,219	58,674	39,786	129,679	3,927	(3,100)
Foreign exchange rate and gold contracts	54,758	10,919	2,344	68,021	589	(598)
Equity/index contracts	1,296	1,033	164	2,493	96	(1,002)
Commodities	148	206	9	362	8	(120)
Credit derivatives	69	1,455	0	1,524	9	(9)
Precious metals contracts	49	24	14	87	1	(27)
Total	**87,539**	**72,311**	**42,317**	**202,166**	**4,631**	**(4,855)**

31/12/2013	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	30,014	52,941	39,592	122,547	3,357	(2,727)
Foreign exchange rate and gold contracts	45,597	9,030	2,380	57,007	746	(654)
Equity/index contracts	1,507	1,507	404	3,419	59	(840)
Commodities	202	171	11	384	10	(116)
Credit derivatives	116	1,431	0	1,547	10	(9)
Precious metals contracts	48	13	12	73	0	(17)
Total	**77,483**	**65,093**	**42,400**	**184,976**	**4,183**	**(4,363)**

(34) Fair Value of financial instruments not reported at fair value

30/6/2014 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	7,886	0	7,886	7,886	0
Loans and advances to banks	0	10,332	9,691	20,022	19,957	65
Loans and advances to customers	0	20,372	63,813	84,185	84,649	(464)
Financial investments	4,584	1,396	2,225	8,205	8,189	16
Liabilities						
Deposits from banks	0	19,130	15,878	35,008	34,746	261
Deposits from customers	0	32,006	41,966	73,972	73,476	496
Debt securities issued	2,410	4,029	990	7,428	7,861	(433)
Subordinated capital	0	3,902	112	4,014	3,697	317

31/12/2013 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	8,246	0	8,246	8,246	0
Loans and advances to banks	0	16,658	5,842	22,500	22,532	(32)
Loans and advances to customers	0	20,268	63,760	84,028	84,723	(695)
Financial investments	4,736	613	2,070	7,419	7,410	9
Liabilities						
Deposits from banks	0	26,389	7,444	33,834	33,733	101
Deposits from customers	0	34,897	40,871	75,768	75,660	107
Debt securities issued	2,242	8,993	174	11,409	11,331	78
Subordinated capital	0	3,621	138	3,759	3,690	69

(35) Fair Value of financial instruments reported at fair value

in € million	30/6/2014 Level I	Level II	Level III	31/12/2013 Level I	Level II	Level III
Trading assets	**4,017**	**3,988**	**145**	**4,072**	**3,719**	**165**
Positive fair values of derivatives[1]	111	3,733	63	72	3,446	88
Shares and other variable-yield securities	383	1	0	403	4	0
Bonds, notes and other fixed-interest securities	3,522	254	81	3,598	269	77
Call/time deposits from trading purposes	0	0	0	0	0	0
Financial assets at fair value through profit or loss	**5,695**	**3,138**	**38**	**5,150**	**3,645**	**22**
Shares and other variable-yield securities	307	1	6	323	109	5
Bonds, notes and other fixed-interest securities	5,388	3,137	31	4,827	3,537	17
Financial assets available-for-sale	**1,458**	**155**	**413**	**1,423**	**6**	**263**
Other interests	4	28	152	4	0	0
Bonds, notes and other fixed-interest securities	1,454	127	11	1,419	6	12
Shares and other variable-yield securities	0	1	250	0	0	252
Derivatives (hedging)	**0**	**700**	**24**	**0**	**550**	**23**
Positive fair values of derivatives from hedge accounting	0	700	24	0	550	23

in € million	30/6/2014 Level I	Level II	Level III	31/12/2013 Level I	Level II	Level III
Trading liabilities	**627**	**5,319**	**23**	**633**	**4,735**	**24**
Negative fair values of derivative financial instruments[1]	124	4,593	16	131	4,083	17
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	504	68	0	502	50	0
Certificates issued	0	659	7	0	603	7
Liabilities at fair value through profit and loss	**0**	**2,692**	**0**	**0**	**2,612**	**0**
Debt securities issued	0	2,227	0	0	2,122	0
Subordinated capital	0	466	0	0	491	0
Derivatives (hedging)	**0**	**123**	**0**	**0**	**133**	**0**
Negative fair values of derivatives from hedge accounting	0	123	0	0	133	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

Compared to year-end 2013, the share of financial assets according to Level II increased slightly. The increase resulted primarily from higher fair values of derivative financial instruments. Regarding bonds, notes and other fixed-interest securities, there was a slight shift from Level II to Level I, which is due to an increase in market liquidity for individual securities.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters.

in € million	As at 1/1/2014	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	165	0	1	10	(31)
Financial assets at fair value through profit or loss	24	(2)	0	26	(12)
Financial assets available-for-sale	262	0	0	0	0
Derivatives (hedging)	23	0	0	0	0

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/6/2014
Trading assets	1	0	0	0	145
Financial assets at fair value through profit or loss	2	0	0	0	38
Financial assets available-for-sale	0	0	0	0	261
Derivatives (hedging)	0	0	1	(1)	24

in € million	As at 1/1/2014	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	24	0	0	0	0

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/6/2014
Trading liabilities	(1)	0	0	0	23

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	20 - 50%
Shares and other variable-yield securities	Shares	257	Approximation method	-	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	124	Discounted cash flow method	Credit spread	10 - 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	0	Broker estimate	Probability of default Loss severity Expected prepayment rate	-
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contracts	87	Discounted cash flow method	Interest rate	10 - 30%
Total		**468**			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	16	Option model	Closing Period Currency risk LT volatility Index category	2 - 16% 0 - 5% 0 - 3% 0 - 5%
Issued certificates for trading purposes	Certificates	7	Option model	Closing period Bid-Ask Spread LT Volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**23**			

(36) Transferred assets

Transferred financial assets not entirely derecognized

30/6/2014	Transferred assets		Associated liabilities	
in € Millionen	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements
Trading assets	345	345	220	321
Financial assets at fair value through profit or loss	525	525	506	506
Financial assets available-for-sale	0	0	0	0
Loans and advances	863	0	760	0
Financial assets held-to-maturity	11	11	11	11
Total	**1,745**	**881**	**1,497**	**839**

31/12/2013	Transferred assets		Associated liabilities	
in € Millionen	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements
Trading assets	252	251	206	206
Financial assets at fair value through profit or loss	579	573	424	423
Financial assets available-for-sale	0	0	0	0
Loans and advances	673	0	110	0
Financial assets held-to-maturity	68	57	65	54
Total	**1,572**	**881**	**804**	**682**

(37) Offsetting of financial assets and liabilities

30/6/2014	Gross amount		Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives	3,957	27	3,930	3,409	33	488
Reverse repurchase, securities lending & similar agreements	7,596	0	7,596	6,560	1	1,035
Other financial instruments	0	0	0	0	0	0
Total	**11,553**	**27**	**11,526**	**9,969**	**34**	**1,523**

30/6/2014	Gross amount		Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	3,547	27	3,520	3,815	75	(369)
Repurchase, securities lending & similar agreements	1,217	0	1,217	291	0	926
Other financial instruments	0	0	0	0	0	0
Total	**4,764**	**27**	**4,736**	**4,106**	**75**	**556**

31/12/2013		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives	3,496	40	3,456	3,063	16	376
Reverse repurchase, securities lending & similar agreements	8,133	0	8,133	8,124	2	7
Other financial instruments	0	0	0	0	0	
Total	**11,629**	**40**	**11,589**	**11,187**	**18**	**384**

31/12/2013		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	3,269	40	3,229	3,531	52	(354)
Repurchase, securities lending & similar agreements	1,863	0	1,863	1,863	0	0
Other financial instruments	0	0	0	0	0	0
Total	**5,131**	**40**	**5,091**	**5,394**	**52**	**(354)**

(38) Related parties

Transactions with related parties that are natural persons are limited to banking business transactions carried out at fair market conditions. In the current reporting period, 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 its subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, which is the majority shareholder of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

30/6/2014 **in € million**	**Parent companies**	**Companies with significant influence**	**Affiliated companies**	**Companies valued at equity**	**Other interests**
Loans and advances to banks	0	2,459	0	236	363
Loans and advances to customers	0	0	772	133	135
Trading assets	0	56	0	1	1
Financial investments	0	0	442	0	434
Investments in associates	0	0	0	1,690	0
Other assets (incl. derivatives)	0	0	12	1	0
Deposits from banks	0	1,245	266	3,446	113
Deposits from customers	7	0	157	355	118
Debt securities issued	0	0	1	0	0
Provisions for liabilities and charges	0	0	0	0	0
Trading liabilities	0	0	37	17	0
Other liabilities including derivatives	0	15	0	0	0
Subordinated capital	0	0	0	0	0
Guarantees given	0	2	135	1	7
Guarantees received	0	48	6	204	39

31/12/2013 **in € million**	**Parent companies**	**Companies with significant influence**	**Affiliated companies**	**Companies valued at equity**	**Other interests**
Loans and advances to banks	0	2,318	39	247	121
Loans and advances to customers	0	0	1,034	103	300
Trading assets	0	34	1	1	2
Financial investments	0	31	467	2	182
Investments in associates	0	0	0	1,601	0
Other assets (incl. derivatives)	0	5	11	1	0
Deposits from banks	3	4,837	0	4,163	204
Deposits from customers	1	0	147	779	761
Debt securities issued	0	0	1	0	0
Provisions for liabilities and charges	0	0	0	0	30
Trading liabilities	0	0	16	0	0
Other liabilities including derivatives	0	13	57	3	0
Subordinated capital	0	0	0	0	0
Guarantees given	0	3	324	168	32
Guarantees received	0	13	6	201	40

(39) Regulatory own funds

The own funds of RZB credit institution group according Basel III break down as follows:

in € million	30/6/2014
Paid-in capital	2,727
Earned capital	3,917
Non-controlling interests	3,926
Common equity tier 1 (before deductions)	**10,570**
Intangible fixed assets/goodwill	(876)
Provision shortage for IRB positions	(15)
Deduction securitizations	(10)
Deduction deferred tax assets	0
Deduction insurance and other investments	(15)
Common equity tier 1 (after deductions)	**9,654**
Additional tier 1	353
Deduction securitizations	0
Intangible fixed assets/goodwill	(408)
Provision shortage for IRB positions	(31)
Deduction insurance and other investments	0
Non-controlling interests	86
Tier 1	**9,654**
Provision excess of internal rating approach positions	195
Hidden reserve	273
Long-term subordinated capital	3,299
Deduction securitizations	0
Deduction insurance and other investments	0
Non-controlling interests	(332)
Tier 2 (after deductions)	**3,434**
Total capital	**13,088**
Total capital requirement	**7,128**
Common equity tier 1 ratio (transitional)	10.8%
Tier 1 ratio	10.8%
Total capital ratio	14.7%
Common equity tier 1 ratio (fully loaded)	7.7%

The total own funds requirement breaks down as follows:

in € million	30/6/2014
Risk-weighted assets (total)	**89,106**
Total capital requirement for credit risk	5,991
Internal rating approach	3,014
Standardized approach	2,923
CVA risk	54
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	314
Total capital requirement for operational risk	823
Total capital requirement	**7,128**

As at year-end 2013, the own funds of RZB according to Austrian Banking Act (BWG) 1993/Amendment 2006 – Basel II break down as follows:

in € million	31/12/2013
Paid-in capital	2,327
Earned capital	3,304
Non-controlling interests	4,346
Hybrid tier 1 capital	441
Intangible fixed assets	(724)
Core capital (tier 1 capital)	**9,695**
Deductions from core capital	(408)
Eligible core capital (after deductions)	**9,287**
Supplementary capital according to Section 23 (1) 5 BWG	65
Provision excess of internal rating approach positions	224
Hidden reserve	11
Long-term subordinated capital	3,110
Additional own funds (tier 2 capital)	**3,409**
Deduction items: participations, securitizations	(408)
Eligible additional own funds (after deductions)	**3,001**
Deduction items: insurance companies	0
Tier 2 capital available to be redesignated as tier 3 capital	357
Short term subordinated capital (tier 3)	**357**
Total own funds	**12,645**
Total own funds requirement	**7,127**
Excess own funds	5,519
Excess cover ratio	77.4%
Tier 1 ratio, credit risk	12.6%
Tier 1 ratio, including market and operational risk	10.4%
Own funds ratio	14.2%

in € million	31/12/2013
Risk-weighted assets according to section 22 BWG	**73,692**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	5,895
Standardized approach	2,914
Internal rating approach	2,981
Settlement risk	0
Own funds requirement for position risk in bonds, equities and commodities	297
Own funds requirement for open currency positions	60
Own funds requirement for operational risk	874
Total own funds requirement	**7,127**

(40) Average number of staff

Full-time equivalents	1/1-30/6/2014	1/1-30/6/2013
Salaried employees	58,249	59,150
Wage earners	814	862
Total	**59,063**	**60,012**

Statement of legal representatives

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

Vienna, 14 August 2014

The Management Board

Walter Rothensteiner
Chairman of the Management Board responsible for
Participation Management and Controlling, General Secretariat, Legal and Compliance and Audit of RZB Group

Johannes Schuster
Member of the Management Board responsible for
Sector Marketing, Sector Customers, Sector Treasury and
Sector Saleservices

Johann Strobl
Member of the Management Board responsible for
Risk Controlling and Risk Management

Publication details

Publisher:	Raiffeisen Zentralbank Österreich AG
Published and produced in:	Vienna
Production:	Internally produced withFIRE.sys

Notes: In this extract of RZB's Semi-Annual Financial Report, "RZB" refers to the RZB Group and "RZB AG" is used wherever statements refer solely to Raiffeisen Zentralbank Osterreich AG.

The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation. Like all statements addressing the future, they are subject to known and unknown risks and uncertainties that could cause actual results to differ materially. No guarantees can therefore be given that the forecasts and targeted values or the forward-looking statements will actually materialize.

This report is for information purposes only and contains neither a recommendation to buy or sell nor an offer of sale or subscription to shares nor does it constitute an invitation to make an offer to sell shares.

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