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# Look inside 2012

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# RBI at a glance

Raiffeisen Bank International (RBI) regards Central and Eastern Europe (including Austria) as its home market.

In Central and Eastern Europe (CEE) it operates as a universal bank through a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets.

In CEE, approximately 57,000 employees in around 3,100 business outlets serve some 14.2 million customers. In Austria, RBI is one of the top corporate and investment banks. It is also represented in the world's financial centers and also operates branches and representative offices in Asia.

All in all, RBI employs about 60,000 employees and has total assets of approximately € 136 billion.

# Overview

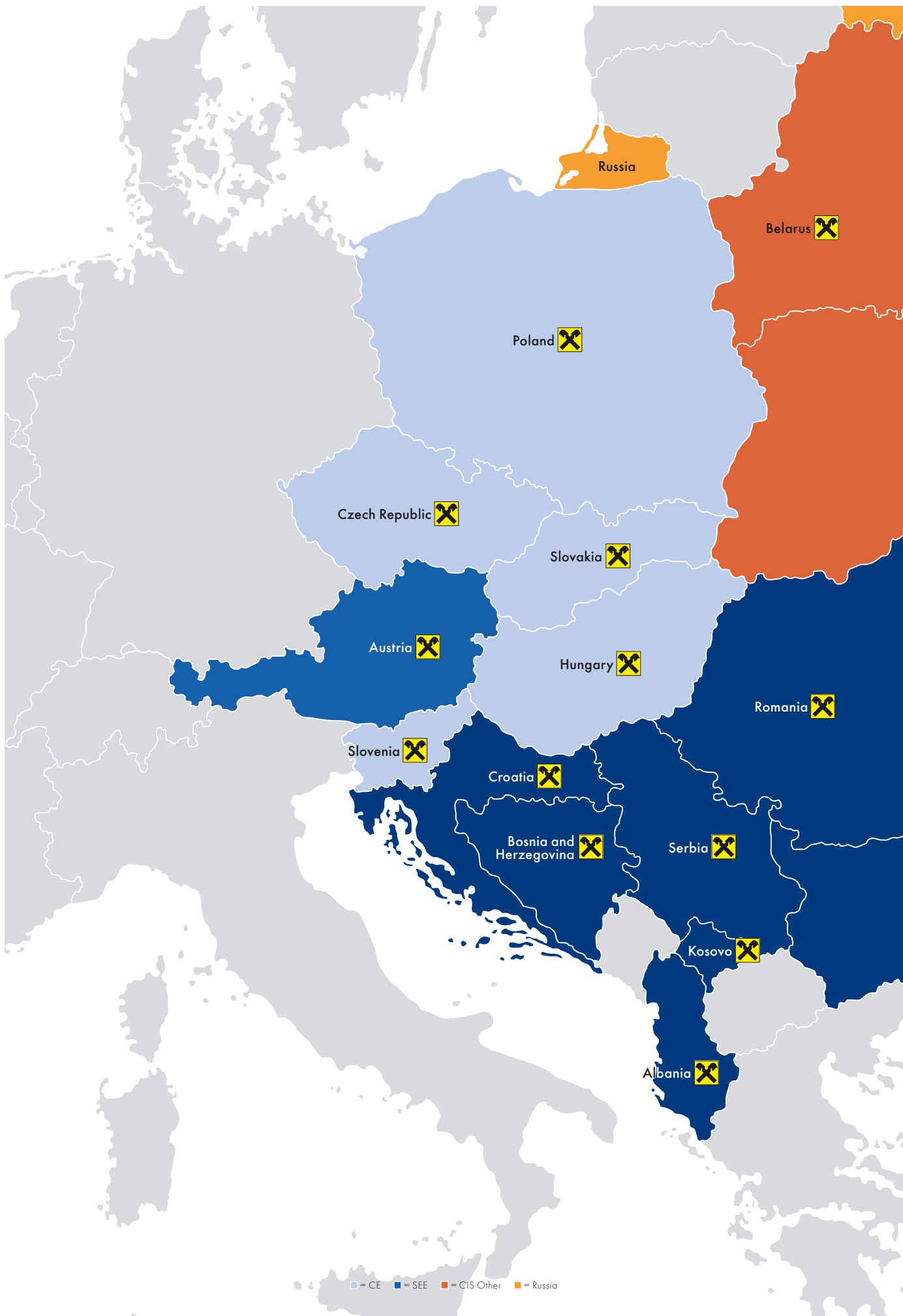
Raiffeisen Bank International Group				
Monetary values in € million	2012	Change	2011	2010
<b>Income statement</b>	<b>1/1-31/12</b>		<b>1/1-31/12</b>	<b>1/1-31/12</b>
Net interest income	3,472	(5.3)%	3,667	3,578
Net provisioning for impairment losses	(1,009)	(5.1)%	(1,064)	(1,194)
Net fee and commission income	1,516	1.8%	1,490	1,491
Net trading income	215	(40.9)%	363	328
General administrative expenses	(3,264)	4.6%	(3,120)	(2,980)
Profit before tax	1,032	(24.9)%	1,373	1,287
Profit after tax	748	(23.2)%	974	1,177
Consolidated profit	725	(25.0)%	968	1,087
<b>Statement of financial position</b>	<b>31/12</b>		<b>31/12</b>	<b>31/12</b>
Loans and advances to banks	22,323	(13.3)%	25,748	21,532
Loans and advances to customers	83,343	2.2%	81,576	75,657
Deposits from banks	30,186	(20.5)%	37,992	33,659
Deposits from customers	66,297	(0.7)%	66,747	57,633
Equity	10,873	(0.6)%	10,936	10,404
Total assets	136,116	(7.4)%	146,985	131,173
<b>Key ratios</b>	<b>1/1-31/12</b>		<b>1/1-31/12</b>	<b>1/1-31/12</b>
Return on equity before tax	9.7%	(4.0) PP	13.7%	13.7%
Return on equity after tax	7.0%	(2.7) PP	9.7%	12.5%
Consolidated return on equity	7.4%	(3.4) PP	10.8%	13.0%
Cost/income ratio	63.5%	6.5 PP	57.0%	55.1%
Return on assets before tax	0.73%	(0.25) PP	0.98%	0.90%
Net interest margin (average assets)	2.37%	(0.23) PP	2.61%	2.51%
Net interest margin (average interest-bearing assets)	2.66%	(0.24) PP	2.90%	-
NPL ratio	9.8%	1.2 PP	8.6%	9.0%
Provisioning ratio (average loans and advances to customers)	1.21%	(0.13) PP	1.34%	1.51%
<b>Bank-specific information<sup>1</sup></b>	<b>31/12</b>		<b>31/12</b>	<b>31/12</b>
Risk-weighted assets (credit risk)	68,136	(11.7)%	77,150	75,601
Total own funds	12,885	0.2%	12,858	12,608
Total own funds requirement	6,626	(13.1)%	7,624	7,585
Excess cover ratio	94.5%	25.8 PP	68.6%	66.2%
Core tier 1 ratio, total	10.7%	1.6 PP	9.0%	8.9%
Tier 1 ratio, credit risk	13.6%	1.4 PP	12.2%	12.2%
Tier 1 ratio, total	11.2%	1.3 PP	9.9%	9.7%
Own funds ratio	15.6%	2.1 PP	13.5%	13.3%
<b>Stock data</b>	<b>1/1-31/12</b>		<b>1/1-31/12</b>	<b>1/1-31/12</b>
Earnings per share in €	2.70	(31.7)%	3.95	4.56
Closing price in € (31/12)	31.46	56.8%	20.07	41.00
High (closing prices) in €	33.36	(26.0)%	45.10	42.75
Low (closing prices) in €	18.64	31.6%	14.16	29.01
Number of shares in million (31/12)	195.51	-	195.51	195.51
Market capitalization in € million (31/12)	6,150	56.7%	3,924	8,016
Dividend per share in €	1.17 <sup>2</sup>	11.4%	1.05	1.05
<b>Resources</b>	<b>31/12</b>		<b>31/12</b>	<b>31/12</b>
Employees as of reporting date	60,084	1.4%	59,261	59,782
Business outlets	3,106	6.1%	2,928	2,961
Customers in million	14.2	2.8%	13.8	14.0

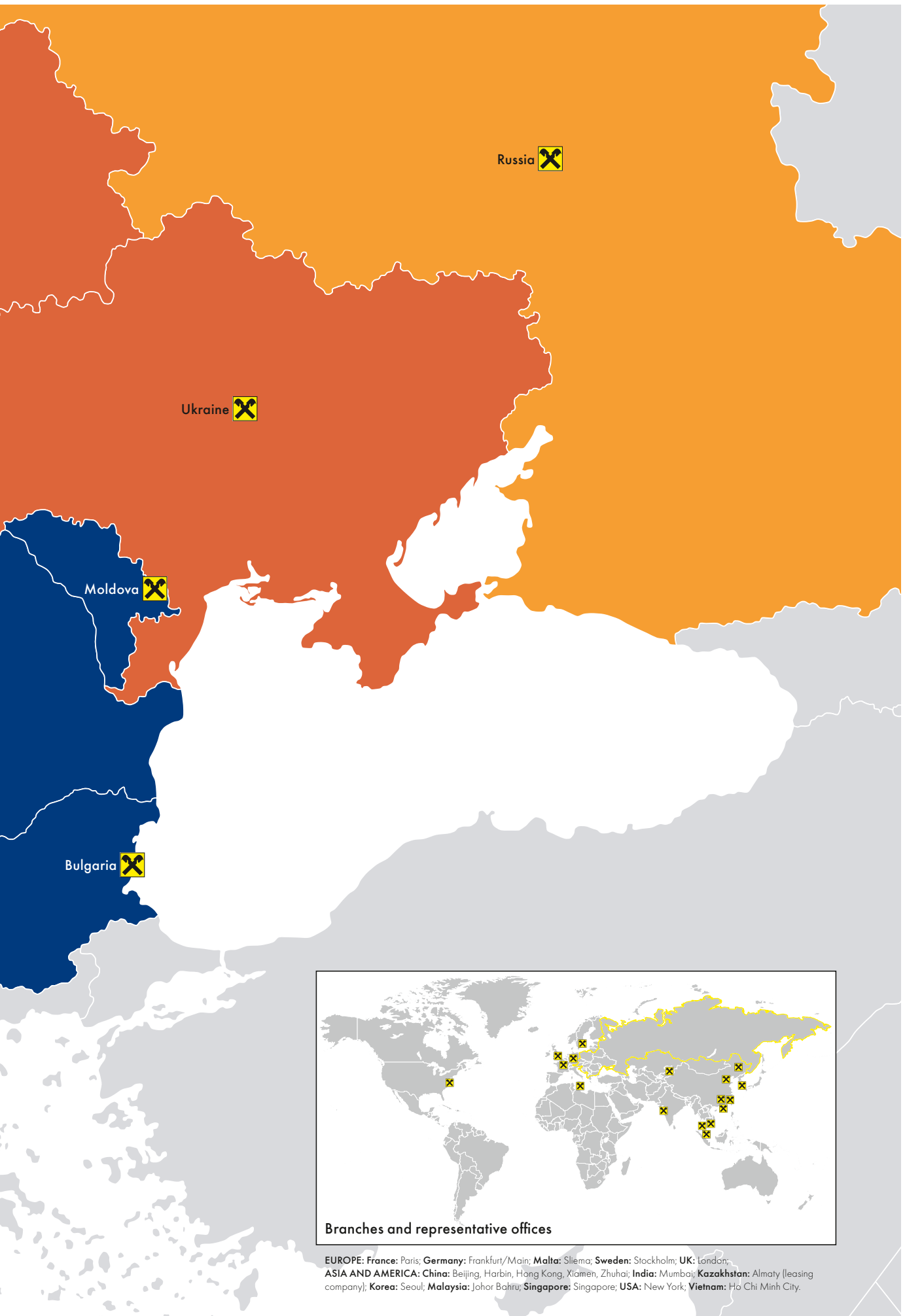
<sup>1</sup> Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG). Raiffeisen Bank International (RBI) as part of the RZB Group is not subject to the Austrian Banking Act.

<sup>2</sup> Proposal to the Annual General Meeting.

In this report, Raiffeisen Bank International (RBI) refers to the RBI Group, and RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG.

The same applies to RZB and RZB AG.





Russia 

Ukraine 

Moldova 

Bulgaria 



**Branches and representative offices**

**EUROPE:** France: Paris; **Germany:** Frankfurt/Main; **Malta:** Sliema; **Sweden:** Stockholm; **UK:** London;  
**ASIA AND AMERICA:** **China:** Beijing, Harbin, Hong Kong, Xiomen, Zhuhai; **India:** Mumbai; **Kazakhstan:** Almaty (leasing company); **Korea:** Seoul; **Malaysia:** Johor Bahru; **Singapore:** Singapore; **USA:** New York; **Vietnam:** Ho Chi Minh City.

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# Overview of RBI

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“We have a very strong position in all growth markets.”

## Interview with CEO Herbert Stepic

### **Mr. Stepic, when you look back on 2012: What are you satisfied with?**

First of all, given the external circumstances, I am content with last year's earnings. In a year dominated by renewed economic decline and a huge effort regarding the capital ratio, we can be rightly proud of posting a profit before tax of more than 1 billion euro. However, I need to mention various one-off effects recorded in the year under review: In the fourth quarter, we were confronted with a goodwill impairment of 37 million euro, but we had profited from several positive effects in the first quarter. Among other things, we sold high-quality securities to achieve the capital ratio required by the European Banking Authority (EBA). The sale cost us a chunk of our net interest income in subsequent quarters but also resulted in significant net proceeds. I am also pleased that we fulfilled the higher equity ratio requirement. In this regard our project team has done an outstanding job, enabling RBI to increase its core tier 1 ratio to well over 10 per cent during the course of the year. Finally, I am very pleased that four international finance magazines named us the best bank in Central and Eastern Europe (CEE), as well as the best bank in a number of individual countries.

### **From an overall economic perspective, 2012 was a challenging year.**

#### **What's your view on the operating environment in the Eurozone and in CEE?**

The environment was indeed challenging in both regions, but for completely different reasons. After the ongoing sovereign debt crisis, the Eurozone slid into a deep systemic crisis. This crisis extends from political disagreements over the means to overcome the huge debt to the growing social unrest in the European peripheral countries. The political elite's inability on both the national and European level to communicate their decisions to the public in a transparent and comprehensible manner also contributes to the crisis. CEE, in part, also suffers from the consequences of the euro crisis, for example from declining exports due to lower demand in the West. On the other hand, the region is now much less vulnerable to external shocks than it was before the start of the crisis in 2008.

#### **Why is that the case?**

With few exceptions, the countries in the region have done their homework: They are less dependent on external financing due to relatively low balance of payment deficits, their productivity has improved thanks to moderate wage increases, and, with the exception of Hungary, they have considerably less debt than Western Europe. Moreover, the region continues to benefit from the catch-up process, which remains the driver for economic development and thus the development of the entire continent.

#### **Does this mean that prospects for the banking industry in CEE are quite good in the long term?**

Yes, but not without limitation! The overall economic situation is not quite how we and the people in the region would like to have it. Especially banks that entered the market relatively late and without a sustainable business model feel this. Indeed, several of these institutions have already withdrawn from the region, and others will follow. RBI, which has been anchored in CEE for quite some time with a clear strategic and geographic focus, has admittedly seen better times; just to mention Hungary and bank levies. In contrast to many competitors, however, we are a traditional customer-oriented bank. This means we can be sure our business model - i.e. diversification by markets, customers, and products - will enable us to benefit from the next recovery and the differences in growth to the Eurozone. We expect market recovery to begin in the second half of 2013.

#### **The key words you just mentioned touched the banking sector's main challenges in CEE.**

##### **What is the situation in Hungary?**

Hungary is a special case, economically and above all politically. It will be very difficult for the current government to overcome its self-imposed exile and find its way back into the middle of Europe. With regard to provisions for impairment losses, 2012 was clearly better for us than the previous year because of the mandated loan conversions necessitating enormously large provisioning. However, the overall level of provisioning is naturally still a source of pain. Immediately after the crisis began, we implemented an



entire set of measures to adjust our costs to the new business environment, including a staff reduction of about one fourth of the peak level in 2008 to below 3,000 employees. However, we had high profits in Hungary over the years, which helped us to partially offset the losses from the 1998 crisis in Russia. Today, Russia generates enough profit to more than offset the losses in Hungary.

**This fall, you announced a considerable reduction in your business capacity in Slovenia.**

**What is the current situation?**

We recognized that with our market position in Slovenia, the country's high banking density and the deep economic crisis, we will be unable to achieve any meaningful progress as a universal bank in the foreseeable future. We will therefore reduce our assets and staff to about a third of the 2012 status by 2015, and instead focus on the business segments where we can generate added value, particularly multinational corporate customers and affluent private individuals.

**How has the overall risk situation developed?**

**After all, the economic situation in 2012 was more difficult than in the previous year.**

That's correct. Therefore, we are pleased that net provisioning for impairment losses – although high at 1 billion euro – was slightly lower than in the previous year. Numbers alone don't adequately depict the status of a company, the soft facts also play a role. For instance, the increase in the NPL ratio – i.e. the share of non-performing loans in relation to the total customer loan portfolio – is naturally also attributable to the crisis-driven environment. But that's only one side of the story. Part of the other side is the fact that with the reduction in risk-weighted assets, to meet the stricter EBA capital requirements in the first two quarters, the customer loan portfolio and therefore also the basis for this metric, declined as well. Naturally, that resulted in an increase in the NPL ratio from a purely mathematical perspective. Finally, public discussions about CEE tend to overlook the fact that loans are largely secured by collaterals. Hence, the actual risk of default is ultimately less than the NPL ratio would suggest at first glance. I feel it's also very important to emphasize that the focus of our exposure is on the less risky business with corporate customers. As I said, there has been an increasing number of signs in the second half of the year that point towards economic recovery. I am therefore not completely satisfied with our risk profile, but not concerned about it either. We have taken all necessary precautions.

**What plans do you have following the merger of Raiffeisen Bank Polska with Polbank?**

We will utilize the opportunities afforded by the Polish market and our strengthened position. Hence, as a universal bank with a broad presence, we have considerably better business and earning prospects than we did before, when we focused on corporate customers and the SME business. The approval by the Polish financial regulator at the beginning of December 2012 was the start for the legal merger completed at the end of the year, as well as for a restructuring program. The program's objective is to fully utilize the synergies resulting from the merger, as well as a number of measures leading to the operational merger targeted for the middle of 2014. For instance, we have already successfully launched the "Raiffeisen Polbank" brand to the market, and we are working on several projects to improve profitability and to integrate IT systems and processes. Once the merger is completed, we will have a very strong position in all growth markets.



**Which are your strategic growth markets?**

Russia, Poland, the Czech Republic, Slovakia, Romania and Austria are countries where we intend to grow in the future, keeping in mind the best possible resource allocation. Austria is where our Group originated from and a source of significant earnings. Our relationship banking approach with its clear focus on sustainable and first-class customer relationships, is very helpful in this respect. Asia is a niche market for us, where we specialize on local and international corporate customers and financial institutions. Compared to local banks from the region, we are a small-time player. For our international customers, however, we are quite flexible and beneficial, especially in doing business between East and West. From an Asian perspective, the West naturally includes Eastern Europe.

## **2012 was marked by regulatory requirements and bank levies.**

### **How do you feel when you hear these terms?**

Not that positive. You have to distinguish between these two issues, although the latter influences the former. The new capital requirements, regardless of whether they are mandated by the EBA or in accordance with Basel III, are generally sensible and welcome. After everything that has happened in financial markets in recent years, no sensible person could be opposed to the idea of requiring banks to maintain higher levels of capital. What we criticized was the abrupt introduction of new regulations with an extremely short implementation time frame. We had to raise about 3 billion euro in capital equivalent in a period of eight months in the RZB Group alone. That had to be done at a time when capital was practically unobtainable in the market, the possibility of generating it internally was very limited due to bank levies and at the same time, the real economy had to be furnished with loans! This is a classic example of putting a square peg in a round hole. As far as bank levies are concerned, I can argue the same point from the other perspective: How can one require banks to expand their capital cushion, while at the same time taxing it away?

### **How are you addressing this additional block of fixed costs?**

Mostly by reducing costs we can influence, i.e. by becoming even more cost efficient overall. Hence, 2012 was dominated by the Group-wide implementation of the so-called Lean Program. It aims at optimizing internal processes even further, simultaneously improving management quality, transparency, as well as constantly enhancing quality with a clear focus on customer satisfaction. We have implemented a whole series of initiatives at all network banks and are managing the program with a – naturally very lean – team based in Vienna. 2013 will be the year of implementation and consolidation. We expect improvements and cost savings particularly at our large subsidiaries. We were able to keep administrative costs relatively flat in 2012 with an increase of 4.6 per cent. That is a great achievement, especially considering that Polbank's integration started in May. In fact, without Polbank, administrative costs would have remained approximately the same as last year.

### **Did the economic environment have an impact on the refinancing of your business?**

No, we had no problems in this respect. Sentiment on the capital markets improved considerably throughout the course of the year. Despite a difficult market environment and high market volatility, we succeeded in raising most of our planned funding volume in the first half of the year. By the third quarter, we had already covered our entire funding requirements for 2012. We have proven to the market that we are capable of placing not only senior but also subordinated instruments. For example, we placed our first tier 2 subordinated issue in Swiss francs and successfully exchanged supplementary capital into tier 2 capital. Moreover, we have diversified our refinancing basis even further with the Swiss franc issue and a benchmark transaction in Chinese renminbi.

### **What are your plans for 2013?**

Besides implementing the Lean Program previously mentioned, we intend – as I already stated – to grow selectively in attractive markets. This includes acquiring first-class customers that become available when competitors leave the market. We will continue to promote capital market transactions and to intensify our cross-selling efforts. In Poland, one of our most important markets, we will take the necessary steps to become a powerful universal bank. This and much more makes me very optimistic that, despite the difficult environment, we will master 2013 as well. I'm thinking in particular of my 60,000 fellow colleagues who have already demonstrated in the past years that a bank can be successful in many aspects even amid strong headwinds. I would like to express my sincerest gratitude to them, also on behalf of my Management Board colleagues! One of the main criteria for this success is our high customer orientation. It forms the basis for the trust of our customers, and I would like to take this opportunity to thank them for the trust they place in us. And finally, I am grateful to our owners – both our core shareholder RZB with the strong Austrian Raiffeisen Banking Group at our back, as well as our many institutional and private investors – for their trust in this company.

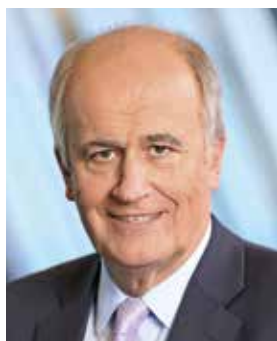


# Management board of RBI



**Herbert Stepic**

Group Strategy  
Human Resources  
Internal Audit  
Legal & Compliance  
Management Secretariat  
Organization & Internal Control System  
PR, Marketing & Event Management



**Karl Sevelda**

Corporate Customers  
Corporate Sales Management & Development  
Group Products  
Network Corporate Customers & Support



**Aris Bogdaneris**

Consumer Banking Group & Austrian IT  
Group Project Management Office  
Head Office Operations  
International Operations & IT  
IT Markets & Treasury  
Lean & Service Excellence  
Small Business & Premium Banking



**Klemens Breuer**

Business Management & Development  
Capital Markets  
Institutional Clients  
Investment Banking Products  
Raiffeisen Research



**Martin Grill**

Investor Relations  
Planning & Finance  
Tax Management  
Treasury



**Peter Lennkh**

International Banking Units  
Participations



**Johann Strobl**

Credit Management  
Corporates  
Financial Institutions, Country & Portfolio Risk Management  
Retail Risk Management  
Risk Controlling  
Risk Excellence & Projects  
Workout

# Report of the supervisory board

*Dear shareholders,*

Although 2011 brought relief to some areas of the economy, the recession in the Eurozone's periphery over the course of 2012 caused an ever increasing downturn in the rest of Europe as well. Similar to Germany, economic growth in Austria shrank to below 1 per cent in 2012. CEE also saw a considerable drop in real GDP growth in 2012, but with the region as a whole reporting 2.0 per cent growth, still well ahead of the Eurozone's (minus 0.5 per cent).

Surely the greatest challenge faced by the Group in the first six months of 2012 was the high capital ratio requirement set by the Austrian and European banking supervisory authorities, which had to be implemented within a very short time frame. Apart from meeting the requirement, the Group was focusing on tightening internal processes and increasing efficiency in order to improve its cost structures. Various measures were implemented in several areas of the company, allowing first success in cost reduction.

## Activity in 2012

Similar to previous years, the members of the Supervisory Board and its committees were fully informed, in a timely and comprehensive manner, by the Management Board during regular meetings about all pertinent business developments, including risk management of the bank and subsidiaries. Information was provided verbally as well as in writing.

At each meeting, the Management Board reported to the Supervisory Board on business developments in the various business divisions and explained current risk developments. In addition to regular meetings, the Supervisory Board had many opportunities to hold discussions with the Management Board. The collaboration between Management Board and Supervisory Board was characterized by open and active communication.

The new and stricter capital ratio requirements for banks announced in 2011 necessitated an adjustment of strategy and business policy, which the Management Board discussed with the Supervisory Board. Several reports were prepared and resolutions were approved on the new regulation under banking law concerning remuneration policy.

Overall, the Supervisory Board conscientiously fulfilled its supervisory duties and took all its decisions in a careful and thorough manner.

The Chairman of the Working Committee, Audit Committee, Remuneration Committee and Personnel Committee regularly reported to the Supervisory Board on the relevant committee's work.

## New appointments

As of 16 April 2012, the Supervisory Board appointed Klemens Breuer responsible for the Board Division Markets. In this function he succeeded Patrick Butler, who left the Group at his own will.

At the Annual General Meeting held on 20 June 2012, Heinrich Schaller and Günther Reibersdorfer were elected to the Supervisory Board. Supervisory Board members Ludwig Scharinger and Hannes Schmid resigned from their respective positions effective 20 June 2012. Furthermore, Heinrich Schaller was elected Second Deputy Chairman by the Supervisory Board. In addition to Alfred Leysek, the Austrian Finance Minister appointed Anton Matzinger as Deputy State Commissioner.

## Annual financial statements and consolidated financial statements

The consolidated financial statements (income statement, statement of financial position, statement of changes in equity, cash flow statement and notes) as well as the annual financial statements for RBI AG have been audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audit revealed no grounds for objections. All legislative provisions were fully satisfied. Therefore, the unqualified Auditor's Report was issued.

The consistency check of the Corporate Governance Report according to Section 243b of the Austrian Commercial Code (UGB) was performed by Univ.Prof.DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH, and its final results yielded no significant grounds for objections.

Following an extensive audit and discussion of the consolidated financial statements as well as the annual financial statements in the Audit Committee and in the Supervisory Board, the Supervisory Board agreed with the proposed appropriation of profit and approved the annual financial statements of RBI AG. The annual financial statements have thus been adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act.

In conclusion I would like to express, on behalf of the Supervisory Board, our gratitude to the Management Board, the Works Council and all employees for their high commitment in the past year.



On behalf of the Supervisory Board  
Walter Rothensteiner, Chairman



# RBI at a glance

## A leading bank in Central and Eastern Europe as well as Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For around 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. As a universal bank, RBI ranks among the top five banks in thirteen countries. Its powerful role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. The CEE markets offer interesting opportunities in this direction due to their higher economic growth compared with that of Western Europe. RBI benefits from this growth, which is a result of the region's need to catch up in terms of banking services. At the end of 2012, around 57,000 employees served approximately 14.2 million customers in around 3,100 business outlets in CEE.

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

RBI's markets				
2012	Total assets in € million	Change <sup>1</sup>	Business outlets	Number of staff
Czech Republic	8,938	1.7%	132	3,066
Hungary	7,155	(2.3)%	125	2,865
Poland	13,428	82.2%	416	6,656
Slovakia	9,667	(0.2)%	163	3,827
Slovenia	1,612	(6.9)%	17	310
Reconciliation	(13)	(68.0)%	-	-
<b>CE segment</b>	<b>40,787</b>	<b>17.0%</b>	<b>853</b>	<b>16,724</b>
Albania	2,289	(1.7)%	105	1,388
Bosnia and Herzegovina	1,983	(8.6)%	98	1,561
Bulgaria	3,486	(5.3)%	183	3,119
Croatia	5,097	(6.7)%	79	2,066
Kosovo	629	(7.6)%	52	688
Romania	5,982	(5.9)%	527	5,486
Serbia	1,883	(14.7)%	85	1,769
Reconciliation	(4)	(94.1)%	-	-
<b>SEE segment</b>	<b>21,346</b>	<b>(6.5)%</b>	<b>1,129</b>	<b>16,077</b>
<b>Russia segment</b>	<b>15,635</b>	<b>10.0%</b>	<b>186</b>	<b>8,155</b>
Belarus	1,355	10.8%	100	2,190
Kazakhstan	0	-	1	11
Ukraine	4,922	(10.0)%	825	13,849
Reconciliation	47	-	-	-
<b>CIS Other segment</b>	<b>6,324</b>	<b>(6.5)%</b>	<b>926</b>	<b>16,050</b>
<b>Group Corporates segment</b>	<b>18,997</b>	<b>(16.8)%</b>	<b>8</b>	
<b>Group Markets segment</b>	<b>20,243</b>	<b>(21.3)%</b>	<b>3</b>	<b>3,078<sup>2</sup></b>
<b>Corporate Center segment</b>	<b>47,341</b>	<b>(12.1)%</b>	<b>1</b>	
Reconciliation	(34,557)	1.4%	-	-
<b>Total</b>	<b>136,116</b>	<b>(7.4)%</b>	<b>3,106</b>	<b>60,084</b>

<sup>1</sup> Change of total assets versus figures from 31 December 2011 expressed in local currencies varies due to fluctuation in euro exchange rates.

<sup>2</sup> Allocation of staff to Group Corporates, Group Markets and Corporate Center is not possible.

## Long-term success story

RZB was founded in 1927 as "Genossenschaftliche Zentralbank" (GZB). Raiffeisen gained its first foothold in Central and Eastern Europe back in 1987, when it established its first subsidiary bank in Hungary. Other own subsidiaries have since been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks and subsequently combining them into a holding company that from 2003 operated under the name Raiffeisen International. In April 2005, Raiffeisen International was listed on the stock exchange in order to finance its future growth as efficiently as possible. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB).

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). It is represented in several leading national and international indices, including the ATX and the EURO STOXX Banks. RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares as of 31 December 2012. The remaining 21.5 per cent of RBI's shares are in free float.

At the end of 2012, RBG, Austria's largest banking group, managed € 86 billion in domestic customer deposits (excluding building society savings), of which around € 51 billion was held in savings deposits. With a market share of 32 per cent, RBG has kept its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth.

## Deposit protection through the Raiffeisen deposit guarantee association

RBI is a member of the Raiffeisen customer guarantee association of Austria (Raiffeisen-Kundengarantiegemeinschaft, RKÖ), established in 2000, which made RBG a pioneer in deposit protection in Austria. Supplementing the statutory Austrian deposit guarantee scheme, the Raiffeisen customer guarantee association of Austria guarantees up to 100 per cent of customer deposits, depending on the financial strength of the member institutions. Unlike the statutory deposit guarantee scheme, it covers all deposits, regardless of whether they belong to private individuals or businesses. The guarantee also applies to all foreign currency deposits and to claims related to issues of senior bonds.

## RBI segments

RBI is managed via seven segments. Its main focus is in the Central Europe, Southeastern Europe, Russia and CIS Other segments is on retail and corporate banking, while mass market and premium retail strategies are developed on a country-specific basis.

Segments	Focus
Central Europe	Retail and corporate customers in the Czech Republic, Hungary, Poland, Slovakia and Slovenia
Southeastern Europe	Retail and corporate customers in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia
Russia	Retail and corporate customers
CIS Other	Retail and corporate customers in Belarus, Kazakhstan and Ukraine
Group Corporates	Austrian and primarily Western European business customers as well as major multinational customers from CEE
Group Markets	Customer and proprietary trading on debt and equity capital markets
Corporate Center	Services performed by Group head office, such as liquidity and balance sheet structure management

# RBI's strategy

## Long-term value creation is the primary objective

RBI's primary strategic objective is to create long-term value for its shareholders who, in addition to free float shareholders, include the Raiffeisen Zentralbank Österreich AG (RZB) as a strong core shareholder and central institution of the Austrian Raiffeisen Banking Group. The objective of generating long-term value is to be achieved first and foremost through a strong focus on customers and a full line of services. Taken together, these two factors lead to high customer satisfaction. Balanced portfolio and risk diversification in RBI's home market of Central and Eastern Europe (including Austria) as well as sustainable risk management ensure that these objectives remain valid for the long term.

### Specifically, RBI's actions are based on the following principles:

- The focus of business activities is on providing financial services to corporate customers and private individuals.
- Notwithstanding high standards of quality, financial services are provided cost-efficiently.
- The balanced distribution of business activities in RBI's home market contributes to the diversification of risk in the business portfolio.
- A leading market position in its home markets safeguards RBI's long-term profitability.
- Group-wide uniform risk management, corresponding to the bank's risk-taking capacity and aimed at avoiding concentration risks (loans, liquidity, etc.), safeguards the company's independence.
- RZB (and therefore indirectly the Raiffeisen Banking Group) is to remain as the reliable core shareholder.
- The business model and balance sheet structure are designed in such a way as to ensure a rating comparable with the average of European peer banks.
- The effects on profitability and risk are always taken into account when using finite resources such as capital and liquidity.

The overall environment for banks is subject to a highly dynamic development. This applies particularly to the markets in which RBI operates. Changes in the market environment (introduction of bank-specific taxes, competitors withdrawing, economic dynamics easing, supervisory regulations becoming more stringent, etc.) call for constant adaptation of the business focus. Strong, Group-wide coordination and collaboration among the individual corporate units is therefore of great importance. Consistent focus on customers and transparent decision-making processes determine the bank's success in the market. The open corporate culture embodied at RBI contributes to employee motivation and thereby to the achievement of the bank's strategic objectives. RBI's role is supported by the Raiffeisen brand, with its high level of brand recognition.

## Strategic business focus

- RBI concentrates primarily on financial services relating to CEE as the region of origin of the service or relationship. Further available resources are allocated to the coverage of selected markets in Asia, where RBI acts as a niche player. An expansion of this sphere of operation is generally not planned.
- As a universal bank, RBI directs its focus toward corporate customers and private individuals. The respective market environment or relative market position may require specialization in order to ensure a sustainable and profitable market presence.
- In Austria, RBI focuses on the corporate customers with the highest turnover and on private banking activities.
- Business activities with other customer groups that are directly related to existing customers are considered to be equivalent (e.g., trade financing, treasury services for corporate customers, asset management).
- RBI's focus is on business with customers. Proprietary trading activities only serve to support RBI's strategic focus.
- As far as it is possible, RBI's business development is organic. Acquisitions are not a strategic objective per se and are only undertaken if the businesses are compatible and synergies can be achieved.

## Strategy by segment

RBI's business is subdivided into seven segments. While the focus in the Central Europe, Southeastern Europe, Russia and CIS Other segments is on retail and corporate banking, business relationships with Austrian companies and major international customers are handled by Group Corporates. Group Markets deals with capital market customers and proprietary trading, and the Corporate Center segment encompasses various services that are provided by the Group head office and that assist in the implementation of the Group's overall strategy; they are assigned to this segment to ensure comparability.



## Central Europe

In each of the countries in the Central Europe segment (Czech Republic, Hungary, Poland, Slovakia and Slovenia) RBI is represented by a bank, leasing companies and other specialized financial institutions. Due to different economic conditions, the specific business focus in individual countries differs. In principle, RBI's aim is to position itself as the leading universal bank in the region. The range of premium and private banking services is continuously being extended due to the increased demand among affluent private individuals for higher-end financial and advisory services.

In the Czech Republic, the main focus is on business with affluent retail customers. In order to improve the way these customers are addressed via the existing branch network, various projects have been launched. Alternative sales alliances, such as joint credit card issuance with mobile provider Vodafone ("AQUA"), are being expanded. In the corporate customer business, RBI promotes capital and liquidity-light products. In the Czech Republic, as in other countries, RBI generally prefers to lend to existing customers with good credit ratings. Internal improvements are also being developed to supplement the market-related measures. For example, the deployment of a central IT system will contribute to a reduction in the administrative cost of technology and processing.

In Hungary, where RBI also operates as a universal bank, its business model has been adapted to the difficult market environment. Corporate customers, for instance, were segmented more strongly by industrial sector in order to better serve customers' different needs. The focus is on international corporate customers with good credit ratings, who – as in other countries – are increasingly being targeted with capital and liquidity-light products, as well as on domestic small and medium-sized enterprises (SMEs). For the latter, the emphasis is increasingly on advisory and transaction-driven services such as cash management solutions. In the retail customer business, the sales network was streamlined. In principle, lending is governed by strict rules with regard to credit ratings. Lending (particularly in foreign currencies) is defensively oriented, while the main focus for affluent retail customers is on deposit business. The streamlining of the organization is being driven forward, e.g., by the creation of a central operation, back office, and call center business.

In Poland, the acquisition of Polbank has strengthened RBI's retail banking business in particular, making it one of the country's strongest universal banks in terms of market share and local presence. In corporate banking, decreasing interest income in Poland is to be offset by expanding relationships with major customers, which is wholly in line with RBI's strategy of promoting capital and liquidity-light products. This also includes a targeted focus on cash management, which should at the same time help to strengthen customer relationships. In retail banking, the main focus is on the acquisition of affluent private individuals and on the marketing of integrated financial products (e.g., insurance solutions). The merger of Polbank and Raiffeisen Bank Polska generates synergies in sales and processing.

In Slovakia, RBI possesses one of the best-known and most valuable brands in the Slovak banking sector through Tatra banka, which focuses on the affluent customer segment. Its innovation leadership with regard to new technologies (e.g., internet and mobile banking, instant card issuance services or contactless payment services) is set to be further extended. Workflows are constantly being optimized in Slovakia, as they are throughout the entire network. In addition to the Tatra banka brand, the Raiffeisen brand was introduced in Slovakia with ten branches via a franchising model. The goal of this initiative is to address families and private individuals in the middle-income segment in particular.

In Slovenia, the business model was adjusted to the difficult market environment and saturated banking landscape. The structures of the bank and the leasing subsidiary are being adapted in accordance with this strategy.

## Southeastern Europe

RBI operates as a universal bank in the countries of the Southeastern Europe segment (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia). It has a bank and leasing companies in each country, and in certain markets is also represented through capital management and asset management companies as well as through pension funds. The target customer group, however, varies according to country.

In Albania, the focus is on corporate and retail banking, with lending generally carried out on a selective basis. Other business activities, such as lending to financial institutions or sovereigns, are only conducted under strict conditions. Further expansion of the branch network is currently not planned due to the strict cost management measures in place.

In Bosnia and Herzegovina, the focus is on SMEs, as well as on special offerings (e.g., investment fund solutions) for affluent retail customers. Centralized product processing is the cornerstone of a profitable branch network. Other business activities, such as the government bond portfolio, are handled on a restrictive basis.

In Bulgaria, RBI's strategic objective is to strengthen existing relationships with corporate and retail customers. The partial withdrawal of Greek and Western European banks has created an opportunity here to become the main bank for customers with good credit ratings. The lending policy will continue to focus on good credit ratings and collateral.

In Croatia, the focus is on large and medium-sized corporate customers and on retail customers. The strategic center of attention in the corporate customer business is financial services in connection with the EU structural and cohesion funds that are linked to Croatia's accession to the EU on 1 July 2013. The affluent retail customers business is focused on end-to-end product solutions (cross-selling) as well as on the sale of pension funds. In addition, the branch network is being optimized to increase efficiency.

The main focus in Kosovo, besides maintaining existing relationships with corporate customers, is on the sale of financial service products (cross-selling). On the retail side, affluent customers from the sole trader/small entrepreneur segment are increasingly being addressed. Moreover, factoring services are being tested in this market. An additional area of focus is optimizing processes and boosting productivity. An expansion of the branch network is not planned at present, due to the strict cost management measures in place.

In Romania, the focus is also on large- and medium-sized corporate customers and on retail customers. The ongoing optimization of processes (e.g., loan processing for retail customers, other processing in the branches, regional centralization) allows costs to be reduced while maintaining or even improving the quality of service.

The market environment in Serbia continues to demand strict cost and risk management. The main focus here is on cost-cutting measures and process optimization. For both corporate and retail customers, the key aim from a market perspective is to further develop relationships with existing customers that have good credit ratings. High-end services and a broad product portfolio form the basis therefor.

## Russia

RBI's objective in Russia is to consolidate its role as one of the leading foreign banks. Business development in Russia is predominantly organic, in particular through the continuous strengthening of RBI's existing presence in the various regions of the country. In the corporate customer business – where RBI holds a strong position – the bank is increasingly supporting Russian companies to expand into other RBI markets. RBI's strategic orientation as a service provider for complex treasury (e.g., currency hedging) and investment banking (e.g., capital market issues) products – and also its general advisory activities with regard to financial services – helps to strengthen this position. In the affluent retail customer business, the aim is to consolidate and develop RBI's position by expanding high-end services (e.g., expanded online banking and insurance solutions, as well as improved advisory services). The establishment of regional competence centers and a central operations, back office and call center ensures efficient and customer-focused product processing.

## CIS Other

This segment comprises Belarus and Ukraine as well as Kazakhstan, where RBI has a leasing company.

As the largest foreign bank in Belarus, RBI is the first point of contact for investors and international corporate customers. The aim is to further consolidate its pioneering role in the field of affluent retail banking by expanding alternative sales and service channels (e.g., through internet and mobile banking). The economic environment (high inflation, potential further devaluation of the currency) calls for a prudent business policy and a selective lending policy. This means avoiding loans in foreign currencies to a large extent, and granting loans subject to strict conditions.

In Ukraine, RBI offers the full range of financial services products through a dense branch network. Close cooperation exists with supranational financial institutions (EBRD, IFC, etc.) in order to further develop the Ukrainian market. The focus here is on medium-sized companies, the agricultural sector and heavy industry. Here too, RBI provides sophisticated treasury and investment banking services. In the retail customer business, existing customer relationships are being strengthened and sales of credit cards and insurance products are being promoted.

In the countries of the CIS Other segment, as elsewhere, RBI focuses on strict cost management. In Ukraine, centralization and efficiency projects regarding the organizational structure and processes (regional centers), the IT and operations area, as well as accounting, are undertaken.

## Group Corporates

The Group Corporates segment covers two key areas: firstly, the Corporate Customers division, which services those Austrian companies and international – primarily Western European – corporate customers that generate the highest revenues, and secondly, business with major Central and Eastern European customers, which is handled by the Network Corporate Customers & Support division. In line with the customer relationship approach, corporate customers are offered comprehensive financial services with a particular focus on advisory and service-intensive investment banking services and on offering capital- and liquidity-light products. RBI's comprehensive network in the CEE region enables it to provide cross-border customer service to both Austrian and Western European corporate customers that are also active in these markets. The Corporate Customers division is structured in a way that in addition to the primarily regional orientation, customers are also supported by teams with a special industry focus. Sales management was also substantially strengthened through Group-wide strategic planning of customer-oriented activities. This permits more efficient and comprehensive customer service and is a substantial success factor in international corporate banking. In the Network Corporate Customers & Support division, the Global Account Management System was further optimized to enable RBI to offer its many customers with cross-border operations a customer service that is coordinated across the entire Group and – in conjunction with specialized product experts – an even more comprehensive product portfolio (Group products) across the whole network. The focus in the Asian branches and representative offices is on expanding existing customer relationships.

## Group Markets

The Group Markets segment covers capital market trading and business with institutional customers. The customer margin with corporate and retail customers exceeding pure trading income is reported in the corresponding customer segments.

In principle, RBI's trading activities are defensive in nature and mainly serve to support the business with customers. Furthermore, capital markets trading fulfills important service functions for the entire network of RBI Group (e.g., access to international financial markets, center of expertise to complement the local service offering). Ongoing optimization of the product range and transnational utilization of synergy effects are expected to strengthen the market position further in the next several years.

The Institutional Clients customer segment comprises the business at the Group head office in Vienna with banks, insurance companies, fund management companies and governments. The focus of its business activity is the sale of capital- and liquidity-light products. Financing forms, such as capital markets debt and asset-based finance, have benefited to a significant extent from the current market environment. Key strategic objectives for this customer segment include the expansion of non-bank business throughout the entire target region and further promotion of business with capital market and investment banking products.

## Corporate Center

The Corporate Center segment encompasses various services provided by the Group head office (e.g., Group strategy, strategic risk management, Group accounting, Group-wide HR management and development, Group audit) that assist in the implementation of the Group's overall strategy and are assigned to this segment in order to ensure comparability. This segment also includes the following areas: liquidity management by means of the funds transfer pricing concept (internal liquidity management at conditions comparable to those found on the external market) and balance sheet structure management as part of proprietary trading, participations (particularly in subsidiaries in the CEE region), income from banking operations carried out by the Group head office and by the Maltese subsidiary for refinancing Group units, Austrian transaction services business, which comprises processing and other services for financial services providers as well as income from holding and other companies that is not directly assigned to a segment.

# RBI in the capital markets

## RBI Stock

### Rising stock prices despite an economic downturn

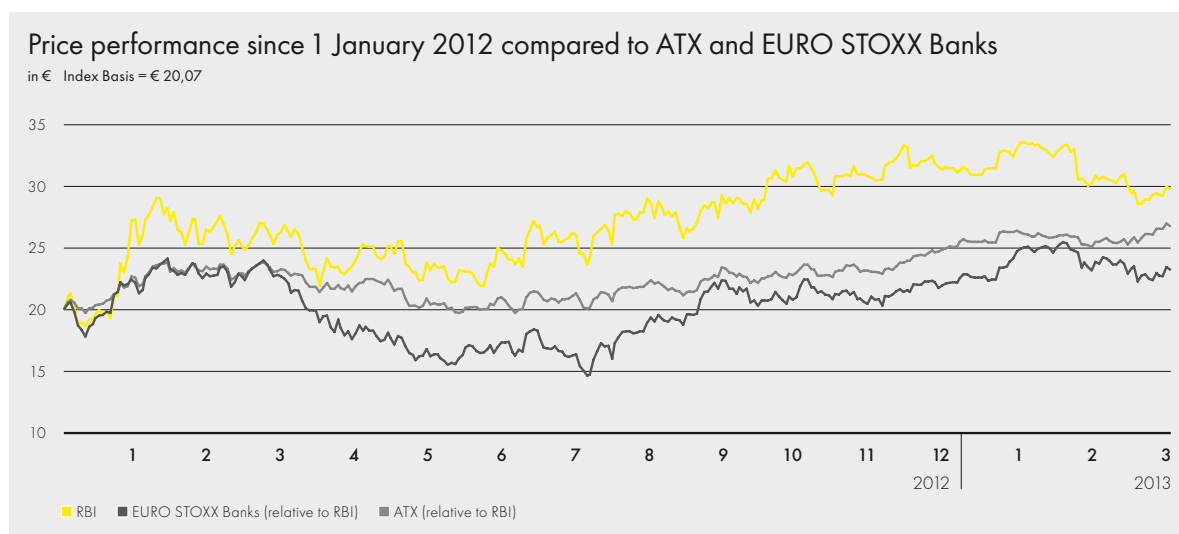
The year 2012 was once again dominated by the European sovereign debt crisis and efforts to save the euro. Actions taken by policymakers made it quite clear that they intend to defend the European Monetary Union to remain in its present form, whatever the price may be. This stance led to growing reassurance amongst capital markets participants as the year progressed.

The first quarter of 2012 was saturated worldwide with glowing economic data, an ongoing central bank's monetary policy of vast liquidity injection, and the easing of the European sovereign debt crisis. The auspicious financial environment was a positive impetus for the equity markets, which resulted in a strong share price rally. However, sentiment changed for the worse during the first half of the year, causing stock prices to temporarily decline. At the end of June 2012, Spain and Cyprus reluctantly applied for international financial aid, following in the footsteps of Greece, Ireland and Portugal.

Despite the economic slowdown in Europe, the second half of the year brought considerably higher share prices in Europe and the USA. European bank stocks, in particular, posted disproportionately large gains following a period of gross underperformance in the first six months of the year. The reasons being: initially, the equity and bond markets were boosted by the EU Summit agreement, which calls for a growth and employment pact with investments of € 120 billion, as well as by the consensus achieved at this summit that the Eurozone's rescue fund may provide capital directly to distressed banks. Secondly, the announcement by the European Central Bank (ECB), stating that the ECB was willing to acquire government bonds of beleaguered euro countries without limit. Finally, the positive report from the troika of the ECB, IMF and European Commission on Greece's budget consolidation efforts led to further easing.

### RBI stock posts strong gains

RBI stock price surged in the first quarter of 2012 and continued this positive trend throughout the course of the year. With a gain of 57 per cent in the full-year 2012, the RBI share was not only ranked as one of the best-performing securities in the ATX index, but also outperformed many other bank stocks.



RBI stock price reached its peak in 2012 at € 33.36 on 26 November, while its low of € 18.64 occurred on 9 January. The share price had opened the year at € 20.07, and the price at the end of 2012 was € 31.46. RBI stock posted a gain of 57 per cent against the ATX's 27 per cent, while the EURO STOXX Banks index gained 12 per cent. At the editorial deadline of this report (11 March 2013), the stock price amounted to € 29.84. This represents a decline of 5 per cent versus 31 December 2012.

RBI's market capitalization at the end of 2012 – with the number of outstanding shares unchanged at 195.5 million – stood at € 6.1 billion.

In 2012, a total of 47 million RBI shares were traded, representing a total value of € 1.2 billion and an average daily volume of 188,755 shares.

## Shareholder structure

As of 31 December 2012, RZB held approximately 78.5 per cent of RBI's shares, with the remaining balance in free float. At the end of 2012, approximately 70 per cent of RBI free float shares were held by institutional investors. This investor base continued to be diversified internationally. RBI's shares were held by investors from the USA (approximately 23 per cent), Austria (approximately 20 per cent), United Kingdom and Ireland (approximately 17 per cent), other EU countries (approximately 30 per cent), as well as from other countries such as Singapore, Japan, and Australia. The remaining approximately 30 per cent of the free float was held by private investors, mostly from Austria.

Stock data and details	
Price as of 31 December 2012	€ 31.46
High/low in 2012 (closing prices)	€ 33.36/€ 18.64
Earnings per share for 2012	€ 2.70
Market capitalization as of 31 December 2012	€ 6.15 billion
Average daily trading volume in 2012 (single count)	188,755 shares
Stock exchange turnover in 2012 (single count)	€ 1,223 million
Free float as of 31 December 2012	approximately 21.5%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as of 31 December 2012	195,505,124

## RBI bonds

### Continued divergence of European government bonds

There were two aspects to the development of the European bond markets in 2012. On the one hand, the bond prices of so-called safe haven countries – especially Germany, Austria, Switzerland and the UK – climbed and broke record after record. This flight to safety into stable-country government bonds, however, pushed their yields to record lows. For instance, yields on Austrian and German ten-year bonds declined briefly to below 2 per cent for the first time. On the other hand, prices of government bonds from crisis countries in the Eurozone came under pressure repeatedly. The focus was particularly on Italian and Spanish government debt where these two countries' risk premiums rose sharply toward the middle of the year. Ten-year government bond yields rose to over 7 per cent. However, in the wake of the stabilization of the financial markets, the economic situation eased again at the end of the year.

## Successful bond issues

With a successful three-year senior benchmark issue totaling € 500 million – which was oversubscribed fourfold within a short period of time – RBI boasted its position in the first quarter of 2012 as an attractive bond issuer on the market. In March 2012, RBI issued its first Chinese currency bond with a volume of CNY 750 million.

RBI took advantage of this positive market environment with a five-year benchmark bond issuance of € 750 million at the beginning of July 2012.

In the fourth quarter, RBI issued a ten-year subordinated bond valued at CHF 250 million. In addition, on 10 October RBI invited supplementary capital bond holders who had a first call date at the end of October 2012 to exchange their securities for a new, callable subordinated RBI bond. Nearly 50 per cent of the creditors accepted the exchange offer. The new bond was issued at a par value of approximately € 290 million. Although the new bond offered holders higher yield – compared to the bond with the October 2012 call date – the benefit for RBI is that the bond will be fully recognized as regulatory Tier 2 capital until the first potential call date in five years.

With the above bond issuances, RBI, amid highly volatile capital markets, succeeded in achieving its capital-market-sensitive refinancing early on at attractive conditions.

## RBI rating

Last year, RBI was rated by Moody's Investors Service, Standard & Poor's and Fitch Ratings. In order to ensure accurate assessment, RBI maintained regular contact with rating agency analysts and informed them on a regular basis about trends in RBI's business developments – similar to other market players.

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

# Annual General Meeting

## Active interest by private investors

While investor conferences are usually reserved for institutional investors, the Annual General Meeting, which was held in 2012 on 20 June in Vienna, also gives private investors the opportunity to be briefed and the chance to ask Management Board questions directly about RBI and its businesses.

The Annual General Meeting approved a dividend payment of € 1.05 per share for the 2011 financial year, the same as for 2010. Excluding treasury shares, which received no dividend, the payment totaled € 204 million. The dividend was paid to the shareholders on 27 June 2012.

## Proposed dividend

The next ordinary Annual General Meeting will take place on 26 June 2013 at the Austria Center Vienna. The Management Board will propose to the Annual General Meeting a dividend distribution of € 1.17 per share for the 2012 financial year, representing a total dividend payout of € 228.7 million. Subject to approval by the Annual General Meeting, this amount will be paid to the shareholders on 3 July 2013 and the stock will be traded ex-dividend from this date.

# Capital market communications

In 2012, RBI participated in a total of 38 roadshows in Brussels, Copenhagen, Dusseldorf, Frankfurt, Helsinki, Hong Kong, London, Milan, Munich, New York, Paris, Prague, Singapore, Stockholm and Tallinn. These events, which were sometimes held more than once in one location, were opportunities for RBI to personally update a wide range of interested investors and analysts about RBI and its current performance as well as to answer their questions. An investors' lunch and an analysts' conference were held in Vienna. In addition, RBI was represented at investor conferences in the Austrian towns of Stegersbach and Zürs.

As part of the announcement of the results for the 2011 financial year, RBI presented itself in London to more than 100 analysts and institutional investors from the world's most important financial centers. This event, which was held on the day after the annual results were published in Vienna, also offered the international financial community the opportunity to exchange information and opinions directly with RBI's Management Board. The participants at this investor presentation included equity and debt investors, analysts covering RBI from both equity and debt perspectives, and representatives from rating agencies.

In addition, the Management Board provided an update at the end of September on current company developments to institutional investors at an investors' conference in London. Following the conference, RBI held an analysts' meeting attended by 21 of the 29 equity analysts that currently cover the bank. Besides these 29 equity analysts, 17 bond analysts cover RBI, making it the most widely covered company in Austria.

Besides direct meetings with analysts and investors, additional events include telephone conference calls and webcasts, each occasion involving around 200 participants, which regularly take place to present the quarterly results.

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

## Financial calendar 2013

10 April 2013	2012 Annual Report, Conference Call
11 April 2013	RBI Investor Presentation, London
14 May 2013	Start of Quiet Period
28 May 2013	First Quarter Report, Conference Call
26 June 2013	Annual General Meeting
03 July 2013	Ex-dividend and Dividend Payment Date
08 August 2013	Start of Quiet Period
22 August 2013	Semi-Annual Report, Conference Call
13 November 2013	Start of Quiet Period
27 November 2013	Third Quarter Report, Conference Call

## Contact for equity and debt investors

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Raiffeisen Bank International AG  
 Group Investor Relations  
 Am Stadtpark 9  
 1030 Vienna, Austria

# Corporate governance report

RBI attaches great importance to responsible and transparent business management in order to deepen and maintain understanding and trust with its various stakeholders, in particular capital market participants. Hence, RBI is committed to complying with the Austrian Corporate Governance Codex (ACGC, or "the Codex") as amended in July 2012. The ACGC is public and available from the website of the Austrian Working Group for Corporate Governance ([www.corporate-governance.at](http://www.corporate-governance.at)) and from the RBI website ([www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Corporate Governance).

Transparency is central to corporate governance and thus of particular importance to RBI. The Corporate Governance Report is structured following the legal guidelines of Section 243b of the Austrian Commercial Code (UGB) and is based on the structure set forth in Appendix 2 of the ACGC.

The ACGC is organized into rules L, C and R. L Rules (Legal Requirements) are based on compulsory legal requirements. C Rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to ensure conduct that complies with the Codex. R Rules (Recommendations) have the characteristics of recommendations; non-compliance does not need to be reported or justified.

RBI deviates from the below C Rule, but conducts itself in accordance with the Codex through the following explanation and justification:

## **C Rule 45: a non-competition clause for members of the Supervisory Board**

RBI is a company of the Austrian Raiffeisen Banking Group (RBG), which is also a majority shareholder through its central institution, RZB. Some members of the Supervisory Board therefore also hold executive roles in RBG banks. A number of members of the Supervisory Board hold executive roles with other banks and financial services institutions. Consequently, know-how and experience specific to the industry are applied in exercising the control function of the Supervisory Board, to the benefit of the company.

In regards to R Rule 62 of the ACGC, the company commissioned – as it has done in previous years – an external evaluation by the research company, Univ.Prof.DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH. The report on this external evaluation is public and available at [www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Corporate Governance → Examination of CG Codex.

## Composition of the management board

In the 2012 financial year, the Management Board consisted of seven members:

Management Board member	Year of birth	Original appointment	End of term
Herbert Stepic, Chairman	1946	14 June 2001	31 December 2015
Karl Sevelda, Deputy Chairman	1950	22 September 2010	31 December 2015
Aris Bogdaneris	1963	1 October 2004	31 December 2015
Klemens Breuer	1967	16 April 2012	31 December 2015 <sup>2</sup>
Patrick Butler	1957	22 September 2010	15 April 2012 <sup>1</sup>
Martin Grüll	1959	3 January 2005	31 December 2015
Peter Lennkh	1963	1 October 2004	31 December 2015
Johann Strobl	1959	22 September 2010	31 December 2015

<sup>1</sup> Patrick Butler resigned as member of the Management Board as of 15 April 2012.

<sup>2</sup> After the resignation of Patrick Butler, the Supervisory Board appointed Klemens Breuer as his successor for the period of 16 April 2012 to 31 December 2015.



Members of the Management Board held seats on the Supervisory Board or comparable functions in the following domestic and foreign companies that are not included in the consolidated financial statements:

- Herbert Stepic                      OMV AG (Supervisory Board member)  
Oesterreichische Kontrollbank AG (Supervisory Board member)
- Karl Sevelda                        BENE AG (Supervisory Board member)  
Raiffeisen Leasing Management GmbH (Supervisory Board member)
- Aris Bogdaneris                    Visa Worldwide Pte. Limited (Advisory Council)
- Patrick Butler                      Wiener Börse AG (Supervisory Board member)  
CEESEG AG (Supervisory Board member)
- Johann Strobl                      Raiffeisen Leasing Management GmbH (Supervisory Board member)

## Composition of the supervisory board

During the 2012 financial year, the Supervisory Board comprised of:

Supervisory Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner, Chairman	1953	11 May 2001	Annual General Meeting 2016
Erwin Hameseder, First Deputy Chairman	1956	8 July 2010 <sup>1</sup>	Annual General Meeting 2015
Heinrich Schaller, Second Deputy Chairman (since 20 June 2012)	1959	20 June 2012	Annual General Meeting 2017
Ludwig Scharinger, Second Deputy Chairman (until 20 June 2012)	1942	8 June 2010 <sup>1</sup>	20 June 2012
Markus Mair, Third Deputy Chairman	1964	8 June 2010 <sup>1</sup>	Annual General Meeting 2015
Stewart D. Gager	1940	24 January 2005	Annual General Meeting 2014
Kurt Geiger	1946	9 June 2009	Annual General Meeting 2014
Hannes Schmid	1953	8 June 2010 <sup>1</sup>	20 June 2012
Günther Reibersdorfer	1954	20 June 2012	Annual General Meeting 2017
Johannes Schuster	1970	8 June 2010 <sup>1</sup>	Annual General Meeting 2015
Friedrich Sommer	1948	8 June 2010 <sup>1</sup>	Annual General Meeting 2015
Christian Teufl	1952	8 June 2010 <sup>1</sup>	Annual General Meeting 2015
Martin Prater <sup>2</sup>	1953	10 October 2010	Until further notice
Rudolf Kortenhof <sup>2</sup>	1961	10 October 2010	Until further notice
Peter Anzeletti-Reikl <sup>2</sup>	1965	10 October 2010	Until further notice
Sabine Chadt <sup>2</sup>	1970	10 October 2010	18 January 2012
Susanne Unger <sup>2</sup>	1961	18 January 2012	Until further notice
Helge Rechberger <sup>2</sup>	1967	10 October 2010	Until further notice

<sup>1</sup> Effective as of 10 October 2010

<sup>2</sup> Delegated by the Works Council

## Independence of the supervisory board

In accordance with C Rule 53 of the ACGC, the RBI Supervisory Board prescribed the following criteria for the independence of the members of the company's Supervisory Board:

- The Supervisory Board member shall not have been a member of the Management Board or a senior executive of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary of the company. This also applies to business relationships with companies in which the Supervisory Board member has a significant financial interest, albeit not with regard to carrying out executive functions within the company. The approval of individual contracts by the Supervisory Board according to L Rule 48 of the ACGC does not automatically lead to a qualification of 'not independent'.
- Company circumstances and the mere exercise of the function of a Board member or leading employee by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a "company in which a Supervisory Board member has a significant financial interest," to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.
- The Supervisory Board member shall not have been an auditor of the company, nor shareholder or employee of the auditing company in the previous three years.
- The Supervisory Board member shall not be a member of the Management Board of another company in which a Management Board member of the company is a member of the Supervisory Board.
- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company, or who represent the interests of such shareholders.
- The Supervisory Board member shall not be a close family relation (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board or of persons who fill one of the positions described in the preceding points.

In accordance with the criteria listed above for the independence of Supervisory Board members, all RBI Supervisory Board members are considered independent.

Stewart D. Gager and Kurt Geiger, as members of the Supervisory Board, are neither shareholders with a shareholding of greater than 10 per cent, nor do they represent the interests of such shareholders. They are therefore 'free float representatives' according to C Rule 54 of the ACGC 2012.

Members of the Supervisory Board had the following additional Supervisory Board mandates or comparable functions in domestic and foreign companies listed on the stock exchange:

- Walter Rothensteiner      UNIQA Versicherungen AG (chairman)
- Erwin Hameseder        AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG, Südzucker AG, Flughafen Wien AG (chairman)
- Heinrich Schaller        voestalpine AG, Austria Metall AG
- Ludwig Scharinger       voestalpine AG, Austria Metall AG
- Johannes Schuster        UNIQA Versicherungen AG
- Günther Reibersdorfer    UNIQA Versicherungen AG
- Hannes Schmid            UNIQA Versicherungen AG
- Christian Teufl            VK Mühlen AG
- Kurt Geiger                Demir Bank OJSC

## Members of the committees

The rules of procedure of the Supervisory Board govern its organization and allocate particular tasks to the Working, Audit, Remuneration and Personnel Committees. These committees are comprised of the following members:

Supervisory Board member	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee
Walter Rothensteiner	Chairman	Chairman	Chairman	Chairman
Erwin Hameseder	First Deputy Chairman	First Deputy Chairman	First Deputy Chairman	First Deputy Chairman
Ludwig Scharinger <sup>1</sup>	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman
Heinrich Schaller <sup>2</sup>	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman
Markus Mair	Third Deputy Chairman	Third Deputy Chairman	Third Deputy Chairman	Third Deputy Chairman
Johannes Schuster	Member	Member	Member	Member
Martin Prater	Member	Member	-	Member
Rudolf Kortenhof	Member	Member	-	Member
Peter Anzeletti-Reikl	Member	Member	-	Member

<sup>1</sup> End of term on 20 June 2012

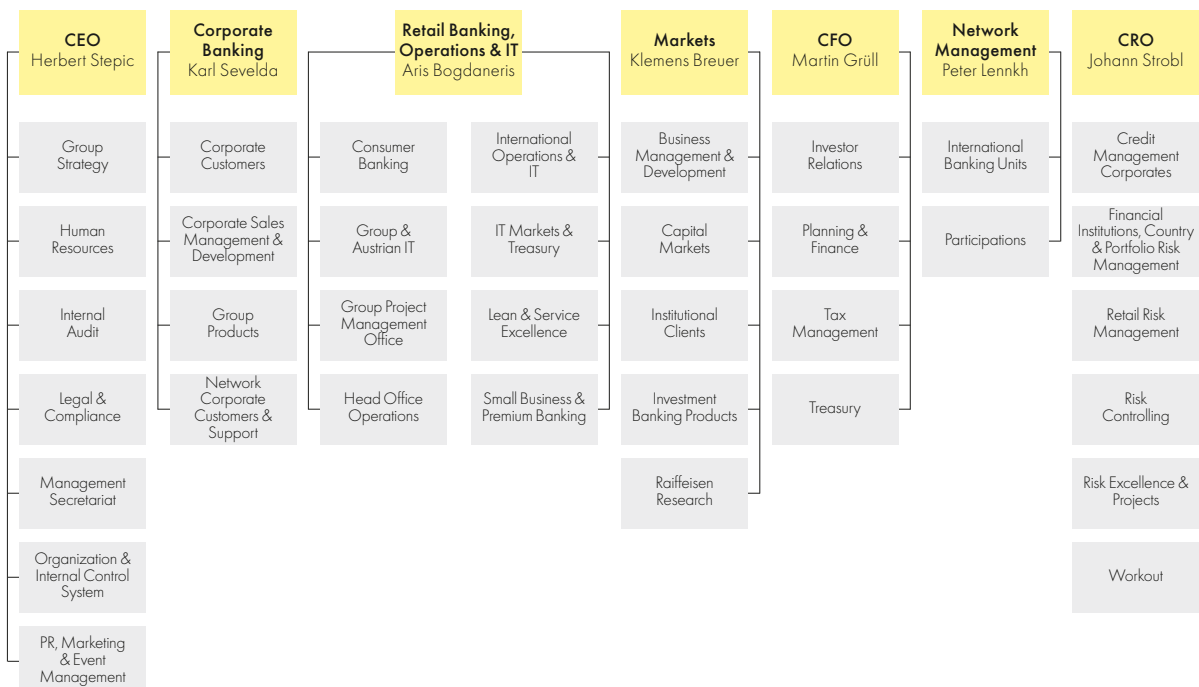
<sup>2</sup> Appointed by the Supervisory Board on 20 September 2012

## Functions of the management board and the supervisory board

### Allocation of duties and procedures/functions of the Management Board

The RBI Management Board leads the company according to clearly defined goals, strategies and guidelines on its own authority, with a focus on future-oriented business management and in line with modern business principles. In doing so, the Management Board pursues the good of the company at all times and considers the interests of shareholders and employees.

The Management Board's fields of activity have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows:



The Management Board manages the company's business in accordance with the law, the Articles of Association and the Management Board's rules of procedure. The Management Board's weekly meetings are convened and led by the chairman. The meetings ensure the mutual information gathering and decision-making in all matters that require the Board's approval. The internal regulations of the Supervisory Board and the Management Board contain information and reporting duties of the Management Board as well as a catalog of measures that require the approval of the Supervisory Board.

## Decision-making authority and activities of the committees

The internal regulations of the Management Board and the Supervisory Board as well as its committees outline the business management measures that require the approval of the Supervisory Board or of the appropriate committee.

The Working Committee was responsible for all matters that are brought before it by the Supervisory Board. Thus, it was called on to approve those matters not only reserved for the Supervisory Board. In particular, these included the creation and alteration of subsidiaries as well as the acquisition of shares up to a certain book value, the execution of functions in the management bodies of other companies by members of the Management Board, or the appointment of persons to the Management Boards and supervisory bodies of banks within the Group. Furthermore, the Working Committee approved the assumption of operational banking risk above a certain level.

The Personnel Committee dealt with remuneration matters of Management Board members as well as their employment contracts. In particular, it was responsible for approving bonus allocation and stock allocation to members of the Management Board through the Share Incentive Program.

The Audit Committee monitored the accounting process and the effectiveness of the company's internal control, audit and risk management systems. Its tasks included the supervision of the financial statements and the consolidated financial statements annual audit, as well as checking and supervising the independence of the Group's auditors, in particular with respect to additional work performed for the audited company. The Committee audited the annual financial statements, the management report, the consolidated financial statements and the Group management report, and is responsible for the preparation of its approval. It also audited the proposal for earnings appropriation and the Corporate Governance Report. The Audit Committee presented to the Supervisory Board a report on the results of its audits. The Committee was also responsible for preparing the recommendation of the Supervisory Board for the selection of the external auditor and bank auditor. Furthermore, the Audit Committee discussed the content of the management letter as well as the report on the effectiveness of the risk management system and the internal control system.

The Remuneration Committee's responsibilities included establishing guidelines for the company's remuneration policies and practices in compliance with the Austrian Banking Act (BWG) as well as relevant sections of the Austrian Corporate Governance Codex which also includes establishing guidelines for ensuring executives' participation in profits, revenues and pension benefits expressed within the meaning of the Austrian Stock Corporation Act, as well as approving a program for the transfer of company shares. Additional tasks included supervising and regularly reviewing the remuneration policies, practices and relevant incentive structures to ensure that all related risks were controlled, monitored and limited in accordance with the BWG, as well as the company's capitalization and liquidity, whereby the long-term interests of shareholders, investors and employees of the company were taken into account. The Remuneration Committee directly reviewed the remuneration of executives responsible for risk management and compliance.

## Number of meetings of the supervisory board and of the committees

In the period under review, the Supervisory Board held four meetings. In addition, the Management Board informed the Supervisory Board promptly and on a regular basis of all relevant matters of the company's performance, including the risk position and risk management of the company and key Group companies, in particular at important and special events.

The Working Committee held eight meetings in the 2012 financial year. The Audit and Personnel Committees each held two meetings, and the Remuneration Committee three.

In addition, the Supervisory Board, the Working and the Remuneration Committees also passed circular resolutions.

Further information on the activities of the Supervisory Board can be found in the Report of the Supervisory Board.

# Management board and supervisory board remuneration disclosure

## Management board remuneration

The following total amounts were paid to the Management Board of RBI:

in € thousands	2012	2011
Fixed remuneration	5,752	5,431
Bonuses	2,153	420
Share-based payments	3,835	373
Other remuneration	2,048	3,397
<b>Total</b>	<b>13,788</b>	<b>9,621</b>

The presentation of total remuneration in 2012 was restructured and for the purpose of comparison, 2011's presentation was also adapted to the new model. Fixed remuneration, as shown in the above table, includes salaries and benefits in kind.

Performance-based components of the Management Board's remuneration consist of actual bonus payments and the allocation of shares under the Share Incentive Program (SIP), tranche 2009 to 2011 (see note [34]). These are based on claims from the previous years and were actually paid out or carried over in the 2012 financial year. The Management Board's performance-based remuneration for 2012 will be paid out in the following years.

Measurement of bonuses is linked to the achievement of company goals related to profit after tax, return on risk-adjusted capital (RORAC) and cost/income ratio, as well as to consented annually agreed personal goals. Payment of bonuses is deferred as set forth in the Austrian Banking Act and implemented according to internal RBI regulations (see note [53]).

2010 bonus payments to three members of the Management Board, who had transferred from RZB to RBI, were based on return on equity (ROE) criteria defined by RZB. In regards to contractual provisions applicable to these persons up until the end of 2010, bonus commitments were made; € 297,000 were paid in 2012 and € 643,500 are due for payment in 2013. The actual payment amount is determined at the discretion of RBI's Personnel Committee.

Management Board members' contracts specify a maximum bonus. SIP includes a cap at three times the allocation value; thus, a maximum limit is in place for all variable compensation components. Other remuneration consists of compensation for board level functions in associated companies, sign-on bonuses, payments to pension funds and business insurances, as well as other insurances and benefits.

The figures shown for the fixed and performance-based remuneration are, when compared to 2011, distorted by several non-recurring items. They are: Performance criteria results well above expectations as well as share price development between issuing the SIP tranche in 2009 (issuing price: € 17.05) and allocation in 2012 (allocation price: € 26.17), resulted in an unusually high amount of share-based compensation (for details, see the subchapter SIP, as well as note [34]). On average, € 290,000 was paid out per Management Board member and year from the SIP tranches to date. Because of a valuation loss of those shares which have to be held as the personal investment for SIP, a loss arose in three tranches. Due to the merger of Raiffeisen International with the principal business areas of RZB, no SIP tranche was issued in 2010, therefore no share-based payment transactions will take place in 2013. Moreover, the maturity of the programs was extended to five years. Therefore the next SIP tranche will not mature before 2016. A distortion also occurred, because Patrick Butler will receive remuneration until 30 June 2013, despite having resigned from his position on the Management Board. In addition, Klemens Breuer, who joined RBI in April 2012, received a sign-on bonus of € 950,000 (to offset the loss of pension benefits from his previous employment). Martin Grill received an "other" payment in the amount of € 173,338 in 2012, because a 2011 payment owed had been wrongly omitted.

The Management Board's remuneration paid in 2012 is shown in detail as follows:

in € thousands	Fixed remuneration	Bonuses for 2011	Other
Herbert Stepic	1,607	611	448
Karl Sevelda	782	303	67
Aris Bogdaneris	747	231	112
Klemens Breuer	540	0	1,010
Patrick Butler <sup>1</sup>	153	280	51
Martin Grüll	658	240	239
Peter Lennkh	508	169	57
Johann Strobl	757	319	64
<b>Total</b>	<b>5,752</b>	<b>2,153</b>	<b>2,048</b>

<sup>1</sup> In addition to the amounts listed above, € 511,000 consisting of fixed and other remuneration was paid from 16 April 2012 to 31 December 2012 due to contractual agreements, after the resignation of Patrick Butler.

## Principles of remuneration policy and practices in accordance with Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG)

In accordance with Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG) including annexes (Austrian provisions for the implementation of Article 22 (2) in conjunction with Annex V Part 11 of Directive 2006/48/EC in the version enacted by Directive 2011/89/EU), RBI's Supervisory Board approved the "General Principles of the Remuneration Policy and Practice" in 2011. The Remuneration Committee is responsible for monitoring and implementation of these policies and practices. Remuneration of the Management Board and other "risk personnel" must comply with these principles. The principles apply to bonus payments for 2011 and subsequent years.

## Share incentive program

In 2012, the fifth tranche of the SIP (SIP, 2009 tranche) matured. In accordance with the terms and conditions of the program (published by the service provider in "euro adhoc" on 20 June 2009), the number of shares actually transferred was as follows:

	Tranche 2009 Number of due shares	Tranche 2009 Number of actually transferred shares	Tranche 2009 Value at share price of € 26.165 on the allocation day (2/4/2012)	Tranche 2008 Value at share price of € 39.00 on the allocation day (12/4/2011)	Tranche 2007 Value at share price of € 31.91 on the allocation day (9/3/2010)
	in € thousands			in € thousands	in € thousands
<b>Members of the RBI Management Board</b>					
Herbert Stepic	86,217	43,109	2,256	219	80
Martin Grüll	24,635	12,318	645	63	15
Peter Lennkh	17,244	8,622	451	44	13
Aris Bogdaneris	18,477	9,239	483	47	17
<b>Total (of active members of the RBI Management Board)</b>	<b>146,573</b>	<b>73,288</b>	<b>3,835</b>	<b>373</b>	<b>125</b>
Rainer Franz (former member of the Management Board, pro-rata tranche 2009)	12,317	12,317	322	39	16
Heinz Wiedner (former member of the Management Board)	-	-	-	50	15
<b>Total (of active and former members of the RBI Management Board)</b>	<b>158,890</b>	<b>85,605</b>	<b>4,157</b>	<b>462</b>	<b>156</b>
Members of the Management Boards of bank subsidiaries affiliated to RBI	289,874	248,388	7,585	833	229
Executives of RBI and other affiliated companies	99,758	52,483	2,610	215	70

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

Under the SIP, new tranches have been issued each year – including also in 2011 and 2012. However, because of the merger of Raiffeisen International with the principal business areas of RZB, no SIP tranche was issued in 2010. There will therefore be no share-based remuneration transactions in 2013. This means that on the reporting date, contingent shares for only two tranches were allocated. As of 31 December 2012, the number of these contingent shares was 675,059 (of which 227,161 were attributable to the 2011 allocation and 447,898 to the 2012 allocation). The number of contingently allocated shares originally announced changed due to various personnel alterations within Group units and maturing of the 2009 SIP tranche. It is aggregated in the following table:

SIP 2011 and 2012			
Group of persons	Number of contingently allocated shares as of 31/12/2012	Minimum allocation of shares	Maximum allocation of shares
Members of the Management Board of RBI	245,205	73,562	367,808
Members of the Management Boards of bank subsidiaries and branches affiliated to RBI	282,218	84,665	423,327
Executives of RBI and other affiliated companies	147,636	44,921	221,454

No shares were repurchased for SIP in 2012.

## Expenditure for severance payments and pensions

For six members of the Management Board the same rules essentially apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his/her own contributions in the same amount. One member of the Management Board has a defined benefit pension plan. Additional individual pension benefits, which are financed by a reinsurance policy, apply to four members of the Management Board.

In the event of function or contract termination, two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act and the Banking Sector Tariff Agreement, two members in accordance with contractual agreements and three members in accordance with the Employee Benefit Act. In principle, the severance payment claims under the Salaried Employees Act or contractual agreements expire, with the exception of one Management Board member, if the employee terminates the employment relationship. In the course of merger-related changes to contractual agreements with the CEO, existing severance payment claims were converted. Corresponding payments were made in part in 2011 and in 2012. In financial year 2012, these payments amounted to € 822,559. A pre-merger severance payment claim that had been taken over also led to a one-off payment of € 225,000 to Peter Lennkh.

Furthermore, protection against occupational disability risk is provided by a pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. Contracts for Management Board members are limited to the duration of their term in office or a maximum of five years. Regulations regarding severance payments in the case of early termination of Management Board mandates are based on the principles stipulated by the Austrian Corporate Governance Codex; likewise, RBI adheres to the stipulated maximum limits (a maximum of two years' total annual remuneration for early termination without serious cause and in any case no longer than the remaining term. No remuneration is given for terminations for serious reasons caused by the Board member).

## Supervisory board remuneration

The Annual General Meeting on 20 June 2012 passed a resolution concerning the annual remuneration for members of the Supervisory Board for financial year 2011 totaling € 550,000. Attendance fees were not paid.

in €	2011
Chairman of the Supervisory Board	70,000
Deputy Chairman of the Supervisory Board	60,000
Member of the Supervisory Board	50,000

## D&O insurance

In the 2012 financial year, a D&O (directors and officers) pecuniary damage and liability policy was signed with UNIQA Sachversicherung AG for the Supervisory Board, the Management Board and key executives, the cost of which will be carried by the company.

## Annual general meeting

The Annual General Meeting for financial year 2011 was held on 20 June 2012 at the Austria Center Vienna. The Annual General Meeting for the financial year under review will take place on 26 June 2013. The convening notice will be published in electronic form and in the Wiener Zeitung's official register a minimum of 28 days before the Annual General Meeting.

At the Annual General Meeting the shareholders, as owners of the company, can exercise their rights by voting. The principle of 'one share one vote' applies on principle. Accordingly, there are no restrictions on voting rights and all shareholders have equal rights. Every share confers one vote; registered shares have not been issued. Shareholders may exercise their voting rights themselves or by means of an authorized agent. RZB has not exercised its right to nominate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as per Articles of Association. As a result, the principle of 'one share one vote' applies. The opening session and the Management Board's speeches are streamed live on the Internet at [www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Events → Annual General Meeting, and can also be replayed at a later time. This creates maximum transparency also for those shareholders who are unable to attend the Annual General Meeting in person.

## Report on measures taken by the company to promote women to the management board, the supervisory board and into executive positions (Section 80 of the Austrian Stock Corporation Act [AktG]) as laid down in Section 243b (2) 2 of the Austrian Commercial Code (UGB)

One of Raiffeisen's fundamental values has always been to offer equal opportunities for equal performance regardless of gender or other factors. For this reason, it is important to take suitable measures already during recruitment to ensure that the same standards are always applied in staff selection. The relatively high proportion of 67 per cent of female employees at RBI underscores the activities' efficacy. A corresponding framework has been established within the company and is being regularly refined to continue promoting the advancement of women. These programs seek to particularly improve the balance of family and work. Other benefits include flexible working hours, part-time models and home office. These models are implemented in nearly all countries the Group is active in, and in accordance with the local statutory provisions. The measures are supplemented with further national initiatives, such as the company's kindergarten with employee-friendly operating hours at the Vienna site, and the "Mother Care" program at Raiffeisenbank Polska S.A.. The program supports women from the first announcement of pregnancy until the child's first birthday.

The Management Board is committed to continuously promoting the existing initiatives as well as maintaining its openness to new initiatives in order to further increase the percentage of women in highly qualified positions as well as encouraging women to take advantage of these opportunities.

As of year-end 2012, approximately 43 per cent of functions with staff responsibility in the RBI Group were held by women. In the case of tier 2 and tier 3 management, this figure is around 41 and 52 per cent, respectively. Training and continuing education programs are specifically being offered to promote management skills, which meet with favorable response. 28 per cent of the participants in the Group-wide top-management program "Execute" were women. Female employees accounted for about 50 per cent of the restructured Advanced Leadership Training program for middle management. Currently, around 15 per cent of Board positions within RBI Group are held by women.



## Transparency

The company website as well as websites of its network units play an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. As a result, the website, among other information, offers regularly updated information on the following topics: annual and interim reports, company presentations, archived telephone conference webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for external creditors, financial calendar with advanced notice of important dates, securities transactions of Management Board and Supervisory Board subject to reporting requirements (directors' dealings), RBI's Articles of Association, the Corporate Governance Report, analysts' research and recommendations, as well as ordering services for written information and registration for the automatic delivery of investor relations news by e-mail.

## Conflicts of interest

Both the Management Board and the Supervisory Board of RBI are required to disclose any potential conflicts of interest.

Members of the Management Board must therefore disclose to the Supervisory Board any significant personal interests in transactions involving the company and Group companies, as well as any other conflicts of interest. They must also inform the other members of the Management Board. Members of the Management Board who occupy management positions within other companies must ensure a fair balance between the interests of the companies in question.

Members of the Supervisory Board must immediately report any potential conflicts of interest to the Chairman of the Supervisory Board. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman. Company agreements with members of the Supervisory Board that require members to perform a service for the company or for a subsidiary outside their duty on the Supervisory Board (Section 228(3) UGB) in exchange for not-insignificant compensation require the approval of the Supervisory Board. This also applies to agreements with companies in which a member of the Supervisory Board has a significant financial interest. Furthermore, related party transactions as defined by Section 28 of the Austrian Banking Act (BWVG) require the approval of the Supervisory Board.

## Accounting and audit of financial statements

RBI's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. They also comply with the regulations of the Austrian Banking Act in conjunction with the Austrian Commercial Code to the extent that these are applicable to the consolidated financial statements. The consolidated annual financial statements are published within the first four months of the financial year following the year under review. Interim reports are published no later than 56 days after the end of the respective period under review.

The Annual General Meeting selected KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna as its external auditor and bank auditor for the 2012 financial year. KPMG has confirmed to RBI that it has the certification of a quality auditing system. It has also declared that there are no reasons for disqualification or prejudice. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor, as well as by the report of the Audit Committee. Furthermore, the auditor assesses the efficiency of the company's risk management in accordance with the Austrian Corporate Governance Codex, based on the documents submitted to him and otherwise available. The resulting report is presented to the Chairman of the Supervisory Board who is responsible for addressing the report in the Audit Committee and for reporting thereon in the Supervisory Board.

### The Management Board



Herbert Stepic



Aris Bogdaneris



Martin Grill



Peter Lennkh



Karl Sevelda



Klemens Breuer



Johann Strobl

# Sustainability at RBI

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

One indication that corporate responsibility and sustainability are integral and self-evident aspects of RBI's daily business is the fact that RBI is one of only 21 companies included in the VÖNIX – the first Austrian sustainability index of the Vienna Stock Exchange. The challenges that RBI sets itself in regard to sustainability and the progress made can be found in the Corporate Responsibility Report, which will be published in 2013.

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

## Living the sustainability strategy

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

- Responsible banker
- Fair partner
- Dedicated corporate citizen

### Responsible banker

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

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

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



## Fair partner

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

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

## Dedicated corporate citizen

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

## Social commitment

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

Against this backdrop, for example, RBI conducted the Christmas charity “Surprise in a Box” for the fifth time in December 2012. This event involved employees contributing and packing presents for children in need at the Caritas asylum center in Vienna. Employees of Raiffeisen Bank Kosovo participated for one day in the reporting period in the government campaign titled “Clean Up Kosovo,” helping to collect trash on public grounds. Furthermore, the bank in Kosovo supported the establishment of soup kitchens for people in need, while Raiffeisenbank Bosna i Hercegovina sponsored contributions for school equipment as part of the project “Book by Book”. The H. Stepic CEE Charity, a non-profit association dedicated to improving the living conditions of children, teenagers and women in Central and Eastern Europe, again implemented several projects in 2012. Thanks to the voluntary support by RBI employees, 16 projects in seven countries were realized, including the establishment of a mother-child home in Moldova, a youth center for street kids in Serbia, educational support for pupils in the resettlement areas in Bosnia and Herzegovina and the financing of a school bus for Roma children in Ukraine. You will find further details on these projects at [www.stepicceecharity.org](http://www.stepicceecharity.org).

## Operational ecology

Compared to companies of other sectors, the direct environmental impact of RBI’s business activities is limited. Nevertheless, RBI’s goal is to minimize the negative environmental impact at all of its locations. This frequently exceeds a mere compliance with statutory regulations and requirements. Last year, for example, a new company building that was constructed in a lowest energy manner, “space2move,” was newly occupied in Vienna. The innovative structure combines optimally air-conditioned office space with low energy costs and a presentable ecological footprint. The certification of the environmental systems for all locations in Vienna in accordance with ISO 14001 has been a matter of course for RBI since 1998. Since 2011, RBI also voluntarily discloses information on its CO<sub>2</sub> emissions as part of the “Carbon Disclosure Project,” achieving third place in 2012 among the companies participating from Austria.

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# Group management report

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# Market development

## Recession in Europe, economic weakness in the USA

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

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

## Different trends in CEE

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

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

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

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

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

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

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

## Subdued trends in Austria

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

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

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

## Economic slowdown in Asia

The large Asian economies, China and India, posted a slowdown in their respective economic growth rates in 2012, but still achieved the largest increases compared at global levels. In China, subdued demand for exports from Europe was apparent. Moreover, the Peoples Bank of China maintained a restrictive monetary policy overall despite two interest rate reductions. Additionally, measures taken by the Chinese government in 2011 to contain the looming real estate bubble continued to have a

dampening effect on the economy. However, infrastructure projects were started as of the second quarter of 2012 and targeted tax incentives as well as subsidies were granted. The cyclical low point in the economic cycle was thus reached in the third quarter of 2012 and the fourth quarter saw a pick-up in the economy. All in all, China achieved economic growth of 7.7 per cent in 2012, following 9.2 per cent in 2011. Against the backdrop of lower volatility in food and oil prices, the inflation rate declined noticeably and amounted to just 2.5 per cent at the end of 2012.

## Sovereign debt crisis becomes a euro crisis

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

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

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

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

## Global currencies

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

Following the announcement in September 2011 by the Swiss National Bank (SNB) that it intended to take unrestricted steps against further appreciation of the Swiss franc, there was initially no further need for action as market participants quickly accepted the exchange rate floor. In April 2012, the euro exchange rate versus the Swiss franc broke through the € 1.20 level for the first time – albeit only for a few seconds. The SNB had to actually take action only in May with the resurgence of the euro crisis. As a consequence of its intervention in the foreign exchange markets, the SNB's currency reserves rose from CHF 296 billion in April to CHF 430 billion in September. Since then, a noticeable easing is apparent again thanks to the declining levels of intervention by the SNB. The ECB's bond purchasing program had an impact too, contributing to relaxation in the Eurozone that resulted in a considerable decline in the pressure on the Swiss franc. The currency traded weaker for the first time and in September 2012 exceeded the €/CHF 1.21 level, a level the Swiss franc was able to stay close to until the end of the year.



## CEE currencies

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

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

# Development of the banking sector

## Continued banking sector growth in CEE

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

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

## Better financing environment for governments and banks

There was a considerable improvement in the financing environment for governments in CEE during 2011 and 2012. This ensured both refinancing and new issues of government bonds on the respective local and global bond markets. Many countries used the favorable environment in the second half of 2012 to prefinance themselves for 2013 and have thus already covered the majority of refinancing requirements for this year. Yields on local government bonds moved sideways for an extended period of time. Indeed, sometimes they even declined due to ongoing expansionary monetary policy in Western Europe and reduction in risk premiums for CEE. At the same time, however, assessments of individual CEE countries differed quite substantially on the bond markets, and risk indicators – such as government indebtedness, budget deficits, balance of payment position and political uncertainty – were reflected in bond prices. Reform-minded CEE countries should also benefit from this differentiation in the future. Indeed, risk premiums for several CEE countries are currently even lower than those for several Eurozone countries, such as Italy, Portugal, and Spain, and sometimes even France or Belgium. Nevertheless, the need for support measures involving the IMF for a few isolated, structurally weaker CEE countries with self-made problems cannot be completely ruled out for 2013.

# Performance and financials

## Introduction and scope of consolidation

The consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. RBI AG also prepares separate financial statements in accordance with the Austrian Commercial Code (UGB) in conjunction with the Austrian Banking Act (BWG), which provide the formal basis of assessment for calculating dividend distributions and the tax assessment. For more information on the disclosures required by the UGB and BWG, please see the relevant sections of this Group management report, including the notes section.

The majority of RBI is indirectly held by Raiffeisen Zentralbank Österreich AG (RZB), which makes it part of the RZB Group. RZB held a stake of around 78.5 per cent at the end of 2012; the remaining shares were free float. As of 31 December 2012, RBI's scope of consolidation comprised of 137 Group units, including 21 banks and a number of financial institutions and bank-related service providers.

At the end of April 2012, RBI acquired 100 per cent of Polbank EFG S.A., Warsaw. At the time of initial consolidation, this acquisition increased total assets by € 6.2 billion, which influences the comparability of various items in the statement of financial position and income statement. For information about other changes in the scope of consolidation, please refer to the relevant sections in the notes.

## Performance

### Profit before tax

Despite the prevailing difficult economic environment and measures taken to achieve European Banking Authority (EBA) capital requirements, RBI realized profit before tax of € 1,032 million in 2012. However, this represents a 25 per cent or € 342 million decline compared to the previous year. Pre-tax profit was impacted by a considerably lower operating result (decrease of 20 per cent or € 479 million after goodwill impairment adjustments) as well as by valuation results due to easing on the financial markets. Furthermore, one-off effects from the sale of high-quality securities portfolio (gain of € 163 million) and the repurchase of hybrid bonds (€ 113 million) offset the decline by € 276 million.

### Operating income

Operating income - excluding impairment of goodwill - declined 6 per cent or € 336 million to € 5,140 million, primarily due to net interest income and net trading income. The year-on-year decline in net interest income of € 195 million was caused by net interest margin (calculated on interest-bearing assets), which decreased by 24 basis points to 2.66 per cent year-on-year.

Sales of high-quality securities portfolio resulted in considerably lower interest income from securities. Additionally, high liquidity and higher retail deposits led to a noticeable decline in net interest income. In Russia, however, net interest income developed favorably: Growing customer business and higher income from derivatives business resulted in an increase of € 159 million. The consolidation of Polbank significantly improved net interest income as well.

Net trading income fell by € 149 million to € 215 million. This decline was attributable to net income from interest-based transactions and net income from capital guarantees, where a statutory requirement for valuation model change had led to a valuation gain in the previous year. Hyperinflation accounting led to valuation losses in Belarus.

### General administrative expenses

General administrative expenses rose 5 per cent or € 143 million to € 3,264 million year-on-year. This increase was due almost exclusively to the consolidation and integration of Polbank, which accounted for € 137 million of the increase. Otherwise, expenses were flat year-on-year. The cost/income ratio (excluding impairment of goodwill) rose 6.5 percentage points to 63.5 per cent. When compared to the previous year, staff expenses increased 4 per cent or € 67 million to € 1,606 million. The average number of employees also rose by 903 to 60,924, primarily due to the inclusion of Polbank, which had 3,065 employees at the time of

initial consolidation. Other administrative expenses increased 4 per cent or € 48 million to € 1,257 million year-on-year, largely attributable to higher IT expenses (up € 35 million) and office space expenses (up € 21 million). Compared to year-end 2011, the number of business outlets rose on balance by 178 locations to 3,106, of which 327 relate to Polbank.

## Net provisioning for impairment losses

Net provisioning for impairment losses declined € 55 million to € 1,009 million in 2012. This decline was attributable to higher releases of portfolio-based loan loss provisions; individual loan loss provisions remained nearly flat year-on-year. The prevailing difficult economic environment especially in the second half of 2012 led to a considerably higher net provisioning, particularly in the fourth quarter. In Hungary, net provisioning for impairment losses decreased by half to € 241 million year-on-year (2011: € 478 million). In Poland, however, net provisioning for impairment losses increased € 69 million to € 127 million. There was a higher need for provisioning mainly related to corporate customers at Group head office, in Slovakia and in Romania. All in all, the provisioning ratio declined from 1.34 per cent to 1.21 per cent. The non-performing loans portfolio increased € 1,127 million to € 8,183 million, of which € 508 million relate to the consolidation of Polbank.

## Net income from derivatives and liabilities

Following a profit of € 413 million in the previous year, net income from derivatives and liabilities declined to minus € 127 million in the reporting period. Particularly liabilities designated at fair value recorded a valuation loss of € 312 million after a valuation gain of € 184 million in 2011. Credit spreads of own liabilities, which are included in this figure, posted a valuation loss of € 145 million in the reporting year after a valuation gain of € 249 million in the previous year. Partial repurchasing of hybrid bonds led to a net income of € 113 million; in contrast, net income from the valuation of derivatives entered into for hedging purposes decreased to minus € 92 million.

## Net income from financial investments

Net income from financial investments increased € 459 million during the reporting period, improving from minus € 141 million in 2011 to plus € 318 million in 2012. The sale of high-quality securities from the available-for-sale portfolio at Group head office, initiated to meet the EBA requirements, resulted in a gain of € 163 million. Valuation of the fair-value portfolio of securities resulted in a gain of € 73 million (2011: loss of € 124 million), which was predominantly attributable to valuation gains on bonds at Group head office and municipal bonds in Hungary. Sales from this securities portfolio led to further positive net income of € 82 million.

## Goodwill impairment

In 2012, an impairment totaling € 38 million (2011: € 187 million) was recorded on goodwill. As in the previous year, prospects for Ukraine and the higher discount rate used for valuation purposes at Raiffeisen Bank Aval made a goodwill impairment of € 29 million (2011: € 183 million) necessary. The goodwill of Raiffeisen Bank Aval has therefore been completely written off as of year-end 2012. Additional other smaller goodwill impairments at various different Group units totaled € 9 million.

## Consolidated profit

Profit after tax totaled € 748 million for 2012, which represents a decline of 23 per cent or € 226 million. At 27.5 per cent, the tax rate was 1.6 percentage points below the previous year's rate. Profit attributable to non-controlling interests increased € 16 million to € 22 million, primarily caused by smaller losses in Hungary. After deducting profit attributable to non-controlling interests, consolidated profit totaled € 725 million, a decline of € 242 million year-on-year. During the reporting year, an average of 194.9 million shares were outstanding. Earnings per share in 2012 therefore amounted to € 2.70.

## Equity

Equity including non-controlling interests remained largely stable at € 10,873 million (down € 63 million). Total comprehensive income amounted to € 838 million, of which € 748 million was profit after tax. Dividend distributions for 2011 reduced equity by a total of € 463 million. Of this amount, € 204 million was attributable to shareholders of RBI, € 200 million to the participation capital and € 58 million to non-controlling interests.

The acquisition of non-controlling interests had a € 405 million effect on equity, primarily resulting from the purchase of a 24 per cent non-controlling stake in Raiffeisenbank a.s., Prague and 13 per cent in Tatra banka, a.s., Bratislava.

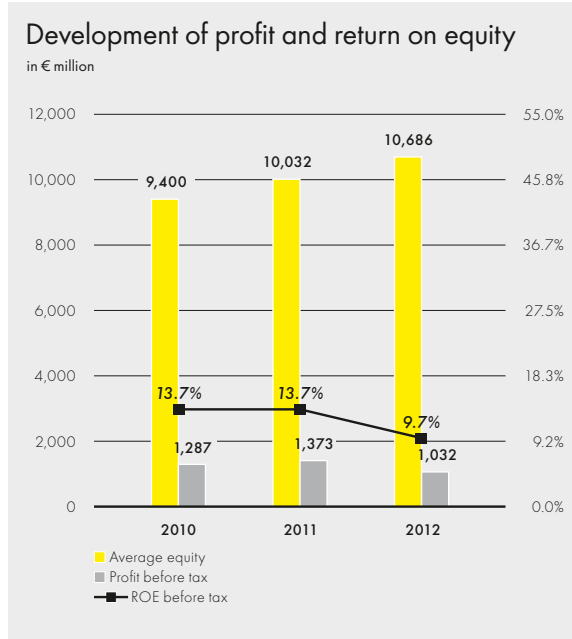
The Management Board will propose to the Annual General Meeting that a dividend of € 1.17 per share be paid for the 2012 financial year. This would result in a maximum total payout of € 229 million.

## Tier 1 ratio

As of 31 December 2012, regulatory own funds, which are calculated in accordance with IFRS since April 2012, totaled € 12,885 million. The comparable figures are based on the Austrian Commercial Code (UGB) in conjunction with the Austrian Banking Act (BWG). The change of calculation to international accounting standards positively impacted tier 1 capital while acquisitions of non-controlling interests, the repurchase of hybrid tier 1 capital and the Polbank consolidation reduced it. Short-term additional own funds (tier 3) increased because of maturing tier 2 issues.

The measures introduced in order to comply with EBA requirements led to a € 998 million reduction in own funds requirement to € 6,626 million. The decline was caused primarily by own funds requirements for credit risk (minus € 721 million) and position risk in bonds, equities and commodities (minus € 247 million).

Tier 1 ratio (total risk) increased 1.3 percentage points to 11.2 per cent. Core tier 1 ratio (without taking hybrid capital into account) improved 1.6 percentage points to 10.7 per cent.



## Statement of financial position

Total assets declined 7 per cent or € 10.9 billion to € 136.1 billion year-on-year, with currency effects having only a marginal impact. Although the consolidation of Polbank resulted in an increase of € 6.2 billion, adjustments of the structure in the statement of financial position in compliance with stricter EBA requirements reduced total assets. On the assets side, excess liquidity was reduced (cash reserve: minus € 4.8 billion, interbank business: minus € 3.4 billion), and high-quality securities with a nominal value of € 3.2 billion were sold from the available-for-sale securities portfolio. On the liabilities side, the decline was mostly attributable to a reduction in deposits from banks due to lower short-term investments and a reduction in debt securities issued as a result of repayments.

Loans and advances to customers increased 2 per cent as a result of the Polbank consolidation. Despite the impact from Polbank, deposits from customers remained unchanged year-on-year due to a decline in deposits from corporate customers (particularly in the repo business). As a result, the loan/deposit ratio increased 4 percentage points to 126 per cent.

# Detailed review of income statement items

in € million	2012	2011	Change absolute	Change in %
Net interest income	3,472	3,667	(195)	(5.3)%
Net fee and commission income	1,516	1,490	26	1.8%
Net trading income	215	363	(149)	(40.9)%
Other net operating income <sup>1</sup>	(64)	(45)	(19)	41.7%
<b>Operating income</b>	<b>5,140</b>	<b>5,475</b>	<b>(336)</b>	<b>(6.1)%</b>
Staff expenses	(1,606)	(1,540)	(67)	4.3%
Other administrative expenses	(1,257)	(1,209)	(48)	3.9%
Depreciation	(401)	(372)	(29)	7.8%
<b>General administrative expenses</b>	<b>(3,264)</b>	<b>(3,120)</b>	<b>(143)</b>	<b>4.6%</b>
<b>Operating result</b>	<b>1,876</b>	<b>2,355</b>	<b>(479)</b>	<b>(20.3)%</b>
Net provisioning for impairment losses	(1,009)	(1,064)	55	(5.1)%
Other results <sup>2</sup>	165	82	83	101.1%
<b>Profit before tax</b>	<b>1,032</b>	<b>1,373</b>	<b>(342)</b>	<b>(24.9)%</b>
Income taxes	(284)	(399)	115	(28.9)%
<b>Profit after tax</b>	<b>748</b>	<b>974</b>	<b>(226)</b>	<b>(23.2)%</b>
Profit attributable to non-controlling interests	(22)	(6)	(16)	245.8%
<b>Consolidated profit</b>	<b>725</b>	<b>968</b>	<b>(242)</b>	<b>(25.0)%</b>

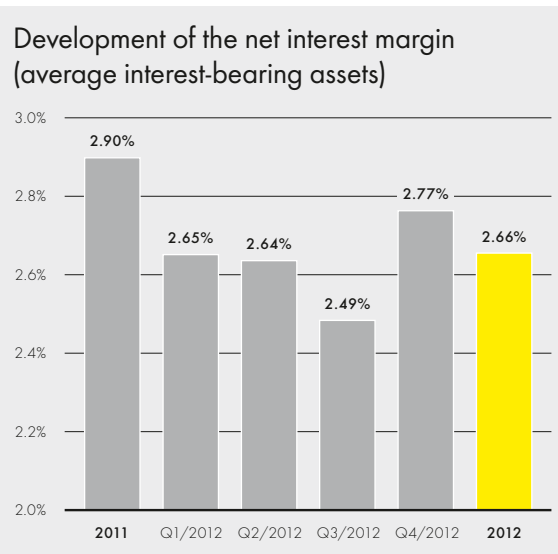
<sup>1</sup> Excl. impairment of goodwill

<sup>2</sup> Incl. impairment of goodwill

## Net interest income

Net interest income declined 5 per cent or € 195 million to € 3,472 million in 2012, representing 67 per cent of operating income. Net interest margin (calculated on interest-bearing assets) declined 24 basis points to 2.66 per cent. Average interest-bearing assets increased 3 per cent as net interest income decreased simultaneously.

Interest income from loans and advances to banks in particular registered a significant decline of € 145 million to € 297 million due to a reduction in excess liquidity at Group head office. Interest income from securities also fell € 161 million to € 609 million, partially impacted by sales of securities at Group head office. On the other hand, net interest income in Russia performed well, posting a plus of € 159 million as a result of increased credit business combined with an improved net interest margin as well as higher interest income from derivatives. Furthermore, net interest income was positively impacted by the Polbank consolidation.



The decline in net interest income resulted primarily from lower interest income due to reduced lending volumes and higher refinancing costs. In the Central Europe segment, the overall difficult market environment caused net interest margin to drop 50 basis points to 2.85 per cent. In Hungary, net interest margin fell 44 basis points to 3.43 per cent. Southeastern European countries also posted a decline of 20 basis points to 4.21 per cent in net interest margin. Bulgaria was particularly affected due to revised expectations concerning cash flows from impaired loans. The Group Corporates segment, however, posted only a slight decline of 4 basis points in net interest margin, mainly because of asset-related adjustments.

## Net fee and commission income

Net fee and commission income increased € 26 million year-on-year, thus contributing 30 per cent of operating income. Net income from both the payment transfer business as well as from the foreign currency, notes/coins and precious metals business rose particularly. In contrast, net income from the loan and guarantee business, as well as net income from other banking services, was lower year-on-year.

Net income from the payment transfer business increased € 52 million to € 663 million, which – at 44 per cent – makes it the largest component of net fee and commission income. The significant improvement is attributable to a higher number of transactions and increased transaction volumes. At € 19 million, Russia made the largest contribution to the increase, followed by Ukraine with € 18 million.

At € 19 million, net income from the foreign currency, notes/coins and precious metals business exhibited the second largest increase year-on-year. This rise was attributable primarily to better results in Russia (up € 8 million) and in Belarus (up € 7 million) due to increased turnover and improved margins.

With a decline of € 34 million to € 247 million, net income from the loan and guarantee business exhibited a reverse trend. This development is attributable mainly to lower lending fees (down € 43 million) in Romania as well as a methodology change that involved reclassification between net fee and commission income and net interest income. Net income in Hungary decreased € 7 million due to declines in volume. Russia, however, generated an increase of € 16 million because of new business.

Net income from the management of investment and pension funds decreased € 4 million, impacted primarily by lower business activity in Croatia.

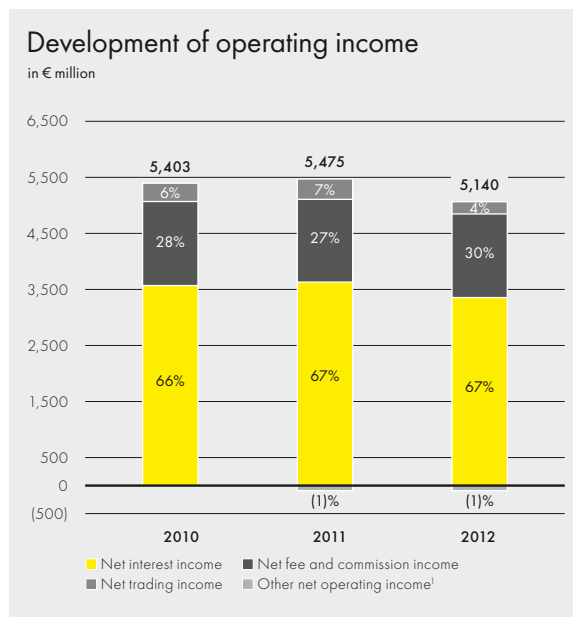
Net income from the sale of own and third-party products increased € 4 million to € 45 million year-on-year, mainly in Poland and Ukraine.

## Net trading income

RBI's net trading income declined 41 per cent or € 149 million to € 215 million. On the one hand, currency-based transactions as well as equity and index-based transactions increased € 102 million and € 4 million, respectively. On the other hand, interest-based business (down € 137 million), credit derivatives business (down € 15 million) and other business (down € 103 million) posted reductions.

Net income from interest-based transactions decreased 80 per cent or € 137 million to € 34 million. Partly responsible for this decline was lower net income in Russia, resulting from valuation losses on derivatives. Net valuation income from interest swaps at Group head office was also lower, due in part to a change in the assessment of the counterparty credit risk.

Net income from currency-based transactions grew 95 per cent or € 102 million to € 209 million. Russia's contribution to net income from derivative financial instruments increased, whereas Hungary posted valuation losses caused by a higher number of derivatives transactions used for hedging purposes. The application of IAS 29 in connection with hyperinflation accounting in Belarus had a significant impact, increasing net income by € 64 million year-on-year. Group head office posted a rise in currency-based transaction volumes, which were, however, negatively impacted by currency volatility.



<sup>1</sup> Excl. impairment of goodwill

Net income from other business stemmed largely from capital guarantees issued by Group head office. It declined from a gain of € 79 million in 2011 to a loss of € 25 million in 2012 due to the lower level of long-term interest rates. The € 81 million net income in the previous year had resulted from a change in the valuation method to comply with statutory requirements.

## Other net operating income

Other net operating income excluding goodwill impairments fell from minus € 45 million to minus € 64 million in 2012. This was mainly due to higher bank levies in Austria and Hungary, as well as the first-time imposition of a bank levy in Slovakia. All in all, RBI's bank levies totaled € 157 million in 2012 (2011: € 93 million).

Net income from allocation and release of other provisions increased € 31 million to plus € 19 million, due to releases of provisions for litigation in Austria and Russia. Net income from non-banking activities and from additional leasing services also increased € 29 million during the reporting year.

## General administrative expenses

General administrative expenses rose 5 per cent or € 143 million to € 3,264 million in the reporting period. The cost/income ratio thus increased to 63.5 per cent (2011: 57.0 per cent).

### Staff expenses

Staff expenses, the largest component in administrative expenses at 49 per cent, rose 4 per cent or € 67 million year-on-year, reaching € 1,606 million.

This increase mainly resulted from the consolidation of Polbank as well as from salary adjustments in Russia. It was partially offset by declining staff expenses due to lower costs and headcount reductions in Hungary, the Czech Republic and Romania.

The average number of RBI Group staff (full-time equivalents) rose 1 per cent or 903 employees year-on-year to 60,924. The headcount increased in Poland (up 2,929) due to Polbank integration and in Slovakia (up 47). The largest reductions occurred in Ukraine (down 753), Russia (down 448), Romania (down 323) and Hungary (down 282).

### Other administrative expenses

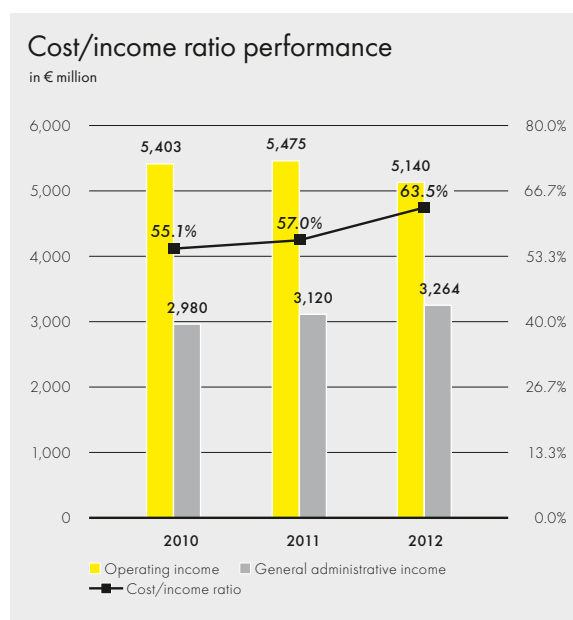
Other administrative expenses increased 4 per cent or € 48 million to € 1,257 million. IT expenses (up 16 per cent), deposit insurance fees (up 10 per cent) and office space expenses (up 6 per cent) recorded the largest increases. In contrast, advertising, PR and promotional expenses (down 10 per cent), security expenses (down 8 per cent) and communications expenses (down 4 per cent) all decreased.

The increase in IT expenses was primarily the result of the Polbank consolidation and the outsourcing of IT services at Group head office. Likewise, Poland and Group head office, due to their relocations, were the main reasons for higher office space expenses.

The number of business outlets increased by 178 to 3,106 compared to year-end 2011. Poland recorded an increase of 300 business outlets; Ukraine (down 84), Romania (down 24) and Hungary (down 9) posted the largest declines.

### Depreciation expense

Depreciation of tangible and intangible assets rose € 29 million to € 401 million year-on-year (2011: € 372 million). The largest increase occurred in depreciation of intangible assets, which rose € 36 million to € 179 million, most of it attributable to the impairment of software in Ukraine and the Czech Republic. Other important factors were Polbank consolidation as well as increases in Romania, Croatia and Ukraine resulting from system expansions. Depreciation of tangible assets declined € 6 million to € 188 million, caused by impairment relating to property in Russia in the previous year.



During the reporting year, Group investment totaled € 531 million, of which 52 per cent (€ 276 million) was in fixed assets. Investments in intangible assets, mainly related to software systems, equaled 38 per cent of investment. Assets of the operating leasing business accounted for the rest.

## Net provisioning for impairment losses

While most of RBI's markets experienced economic recovery in 2011, there was a renewed deterioration in economic conditions in the second half of the reporting year. This was clearly reflected in an increase in non-performing loans. However, at € 1,009 million, net provisioning for impairment losses was 5 per cent or € 55 million below the 2011 figures. Although individual loan loss provisions increased € 5 million to € 1,182 million, net releases of portfolio-based loan loss provisions also increased, rising € 59 million to € 164 million. Net provisioning for impairment losses includes income from the sale of impaired loans amounting to € 9 million.

Trends in net provisioning for impairment losses varied in the individual countries: Hungary, for example, recorded a significant year-on-year decline as RBI had had high impairment needs due to government-induced loan conversions. Net provisioning declined to € 241 million, from € 478 million. In Russia, loan loss provisions were released due to quality improvements in the loan portfolio. In contrast, net provisioning for impairment losses in Poland increased € 69 million to € 127 million, relating to both large corporate customers and retail customers. Significantly higher net provisions were also recorded for corporate customers at Group head office, in Slovakia and Romania, as well as in Slovenia for both corporate and retail customers.

The provisioning ratio - i.e. net provisioning for impairment losses versus average loans and advances to customers - decreased 0.13 percentage points to 1.21 per cent.

The portfolio of non-performing loans to customers increased € 1,127 million to € 8,183 million in 2012. The Polbank consolidation contributed € 508 million to the increase and currency effects added a further € 95 million. Without these two effects, non-performing loans would thus have risen € 524 million year-on-year. Group head office, Hungary and Poland posted the largest increases, while Ukraine and Russia posted considerable declines. The NPL ratio - i.e. the ratio of non-performing loans to total customer loans - deteriorated to 9.8 per cent, following 8.6 per cent in the previous year. Non-performing loans were covered by provisions totaling € 5,484 million. This resulted in a NPL coverage ratio of 67.0 per cent, 1.4 percentage points below year-end 2011.

## Other results

### Net income from derivatives and liabilities

Net income from derivatives and liabilities fell from plus € 413 million to minus € 127 million in 2012. Liabilities designated at fair value (fair value option), which had generated a gain of € 184 million in 2011, caused a loss of € 312 million in the reporting year. This loss consisted of an interest component totaling minus € 167 million and valuation losses on lower credit spreads of € 145 million. However, liabilities were countered by positive valuation gains from other derivatives in the same amount. Net income from other derivatives declined € 135 million to € 59 million. The repurchase of liabilities generated income of € 110 million in the reporting year, which included the repurchase of hybrid bonds totaling € 113 million.

### Net income from financial investments

Net income from financial investments improved from minus € 141 million to plus € 318 million year-on-year. The sale of bonds from the available-for-sale securities portfolio at Group head office resulted in net sale proceeds of € 163 million.

After minus € 135 million in the previous year, net income from securities at fair value through profit and loss improved to plus € 155 million in 2012. The valuation of securities in the fair-value portfolio led to a gain of € 73 million after causing a loss of € 124 million in 2011. There were considerable valuation gains on bonds and municipal bonds at Group head office and in Hungary, while Ukraine posted valuation losses on bonds. Sales of securities from the fair-value portfolio, mainly recorded at Group head office, generated income of € 82 million (2011: minus € 11 million).



Net income from equity participations improved € 97 million to minus € 1 million (2011: minus € 98 million) and contained valuation losses totaling € 22 million and gains from sales of approximately the same amount.

Net income from securities held-to-maturity declined € 91 million to € 1 million. The previous year's high figure had included gains from the sale of high-quality securities in the amount of € 94 million, resulting from measures taken to meet the stricter EBA capital requirements.

#### **Impairment of goodwill**

Other results in the reporting year included goodwill impairments totaling € 38 million (2011: € 187 million). In the previous year, € 183 million goodwill impairment for the Ukrainian subsidiary was recorded due to revised forecasts and an increase in discount rate used for valuation. The remaining goodwill of € 29 million was also written down in 2012. A further € 9 million impairment was attributable to goodwill in Bosnia and Herzegovina, Croatia as well as various smaller Group units.

#### **Net income from disposal of Group assets**

In 2012, net income from the disposal of Group assets was € 12 million. Ten subsidiaries were no longer consolidated, eight of them on the grounds of immateriality. One subsidiary was excluded from the consolidation group following closure and another subsidiary was sold. The companies were primarily active in leasing and investment services.

#### **Income taxes**

Income taxes in the reporting period totaled € 284 million, following € 399 million in the prior year. The effective tax rate was 28 per cent; adjusted for goodwill impairments, it would have been 27 per cent. In the previous year, the tax rate was 29 per cent.

# Comparison of results with the previous quarter

in € million	Q4/2012	Q3/2012	Change absolute	Change in %
Net interest income	876	834	42	5.0%
Net fee and commission income	396	400	(4)	(0.9)%
Net trading income	(6)	54	(59)	-
Other net operating income <sup>1</sup>	(12)	(16)	4	(26.6)%
<b>Operating income</b>	<b>1,255</b>	<b>1,272</b>	<b>(17)</b>	<b>(1.3)%</b>
Staff expenses	(428)	(411)	(18)	4.3%
Other administrative expenses	(373)	(311)	(62)	20.0%
Depreciation	(126)	(97)	(29)	30.3%
<b>General administrative expenses</b>	<b>(928)</b>	<b>(818)</b>	<b>(109)</b>	<b>13.3%</b>
<b>Operating result</b>	<b>327</b>	<b>453</b>	<b>(126)</b>	<b>(27.8)%</b>
Net provisioning for impairment losses	(385)	(224)	(162)	72.5%
Other results <sup>2</sup>	(25)	(42)	17	(39.8)%
<b>Profit/loss before tax</b>	<b>(84)</b>	<b>188</b>	<b>(271)</b>	<b>-</b>
Income taxes	(58)	(32)	(25)	78.3%
<b>Profit/loss after tax</b>	<b>(141)</b>	<b>155</b>	<b>(297)</b>	<b>-</b>
Profit attributable to non-controlling interests	24	(14)	38	-
<b>Consolidated profit/loss</b>	<b>(117)</b>	<b>141</b>	<b>(258)</b>	<b>-</b>

<sup>1</sup> Excl. impairment of goodwill

<sup>2</sup> Incl. impairment of goodwill

## Net interest income

Net interest income improved € 42 million to € 876 million in the fourth quarter of 2012. The net interest margin (calculated based on interest-bearing assets) rose 28 basis points to 2.77 per cent. Average interest-bearing assets fell 6 per cent or € 7,583 million to € 126,653 million.

Broken down by segment, Russia displayed an increase in the net interest margin by 48 basis points to 5.45 per cent. This development was influenced by an improved interbank business as well as a reduction in interest expenses on deposits from customers. In contrast, the net interest margin in CIS Other fell from 7.31 per cent to 6.96 per cent, mostly due to hyperinflation in Belarus. In Southeastern Europe, net interest margin rose 33 basis points to 4.27 per cent, mainly in Serbia where net interest income in the fourth quarter was driven by higher interest income from loans and securities. Central Europe posted a slight 8 basis points increase in the net interest margin to 2.81 per cent.

## Net fee and commission income

Net fee and commission income remained almost unchanged at € 396 million in the fourth quarter 2012. Higher earnings from the payment transfer business, other banking services and the securities business nearly compensated for profit decline from loan and guarantee business as well as from foreign currency, notes/coins and precious metals business.

## Net trading income

Net trading income fell by € 59 million to minus € 6 million quarter-on-quarter. This development can be attributed primarily to a decline in interest-based transactions owing to valuation losses. Furthermore, the valuation result of interest-based transactions was adversely influenced by a change in the assessment of counterparty credit risk.

Net income from currency-based transactions also slipped in the fourth quarter, declining € 3 million. One of the main causes here was the drop in net income in Belarus following the application of IAS 29 (hyperinflation accounting). It was offset by valuation gains on a strategic currency position.

In the credit derivatives business, an increase of € 3 million was recorded quarter-on-quarter.

Net income from other business rose € 3 million due to valuation of issued capital guarantees.

## Other net operating income

Other net operating income (excluding impairment of goodwill) was minus € 12 million in the fourth quarter 2012; in the third quarter, it had been minus € 16 million.

Net income from additional leasing services made a positive contribution in the fourth quarter, predominantly in Poland. In contrast, net proceeds from the disposal of tangible and intangible fixed assets in addition to the bank levies increased expenses in the fourth quarter.

## General administrative expenses

General administrative expenses in the fourth quarter 2012 totaled € 928 million, up € 109 million quarter-on-quarter. Staff expenses increased due to adjustments to future bonuses and the establishment of a restructuring provision in Poland in the amount of € 18 million. Furthermore, other administrative expenses rose € 62 million to € 373 million, resulting from a seasonal increase of legal, advisory and consulting expenses, IT expenses as well as advertising, PR and promotional expenses in the fourth quarter. Depreciation on tangible assets totaled € 126 million in the fourth quarter, up € 29 million from the previous quarter. The main cause here were software systems write-downs in Ukraine and in the Czech Republic as well as write-downs of tangible fixed assets in Hungary following the closure of business outlets. At Group head office, depreciation in the fourth quarter increased due to an adjustment in the useful lives of tangible assets.

## Net provisioning for impairment losses

Compared to previous quarters, net provisioning for impairment losses in the fourth quarter 2012 was significantly higher at € 385 million; compared to the third quarter, this represents an increase of € 162 million. Due to a few individual cases among large corporate customers, net provisioning rose particularly in Hungary (up € 55 million quarter-on-quarter); Group head office also increased provisioning by € 48 million. Further marked increases were reported in the Czech Republic, Poland and Slovenia.

The non-performing loans to customers portfolio fell € 157 million quarter-on-quarter to € 8,183 million, with currency movements accounting for € 64 million of the decline. The organic reduction was mainly attributable to Ukraine; Group head office, Slovenia and Poland recorded the largest increases in non-performing loans.

## Other results

### Net income from derivatives and liabilities

Net income from derivative financial instruments improved € 68 million to minus € 20 million in the fourth quarter, mainly due to the fair value option. Net income from own issues at fair value through profit or loss also stood at minus € 44 million following minus € 102 million in the previous quarter.

### Net income from financial investments

Net income from financial investments totaled € 19 million, € 27 million below the previous quarter. This was due to partial write-downs on other interests, particularly at Group head office, as well as lower valuation gains and sales income from securities at fair value.

### Impairment of goodwill

Other net income was adversely affected by goodwill impairment – primarily for the Ukrainian subsidiary bank – in the amount of € 37 million in the fourth quarter of 2012.

## Income taxes

Tax expenses in the fourth quarter of 2012 amounted to € 58 million, compared to € 32 million in the previous quarter. The increase was caused by Group head office – on account of lower deferred tax assets due to lower deductible tax loss carry-forwards – and Hungary due to higher deferred tax liabilities.

# Statement of financial position

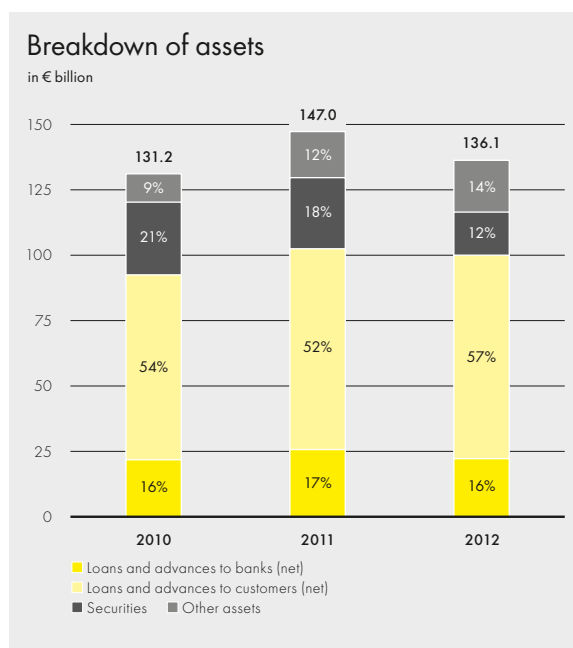
RBI's total assets declined 7 per cent or € 10.9 billion to € 136.1 billion during the course of 2012. The impact on statement of financial position was due to measures taken in compliance with stricter EBA requirements.

## Assets

Loans and advances to customers (before provisioning) rose 2 per cent or € 1.8 billion to € 83.3 billion in the reporting period. The retail customer business recorded growth of € 5.1 billion, primarily in Poland because of Polbank consolidation, and in Russia as a result of new business. Central and Eastern Europe showed moderate decline, especially in Ukraine, Croatia, and Hungary. The corporate customer business declined € 3.4 billion, primarily driven by Group head office (on account of lower new business and sales of receivables), business outlets in Asia and the finance company in New York.

Interbank business was reduced by 13 per cent or € 3.4 billion to € 22.3 billion, mainly at Group head office. Loan loss provisions, however, increased € 0.6 billion to € 5.6 billion compared to year-end 2011, of which € 5.5 billion pertained to loans and advances to customers.

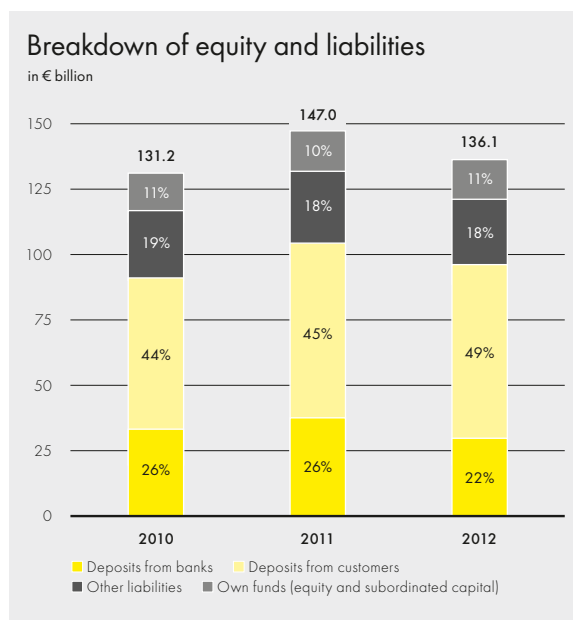
Sales of available-for-sale securities and securities in the fair value portfolio – mostly at Group head office – resulted in a decline of € 3.5 billion to € 16.4 billion in the securities portfolio including participations. Other assets contracted € 5.1 billion to € 19.7 billion, primarily due to a reduction of cash reserve.



## Equity and liabilities

Deposits from customers remained relatively stable year-on-year at € 66.3 billion. Deposits from retail customers grew € 3.9 billion, predominantly in Poland (consolidation of Polbank) and Russia, whereas deposits from corporate customers fell € 4.1 billion, in particular because of repo business at Group head office. The refinancing volume via banks – chiefly commercial banks – fell € 7.8 billion to € 30.2 billion due to lower short-term deposits.

Equity and subordinated capital remained nearly unchanged at € 14.8 billion. Other liabilities fell € 2.3 billion to € 24.8 billion. Debt securities issued dropped € 1.1 billion on balance to € 13.3 billion. Trading liabilities were reduced by € 0.9 billion, predominantly at Group head office.



# Equity

## Equity on the statement of financial position

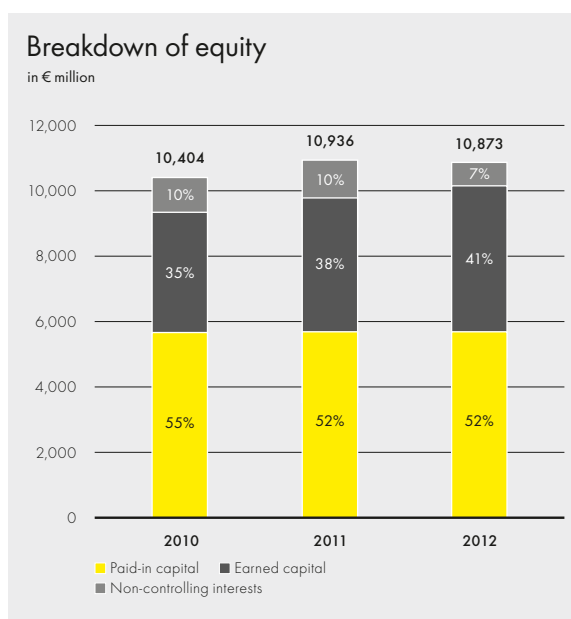
RBI's equity decreased € 63 million to € 10,873 million compared to year-end 2011.

Consolidated equity, consisting of subscribed capital, participation capital, capital reserves and retained earnings, increased € 603 million to € 9,428 million, which was mainly the result of the transfer of earnings in the amount of € 563 million from the financial year 2011. Other comprehensive income made a further contribution of € 69 million on balance: Exchange-rate differences showed a positive effect of € 150 million, whereas net income from the valuation of assets available-for-sale amounted to minus € 147 million, mainly due to the sale and subsequent reclassification of the result in the income statement. The related deferred taxes totaled € 37 million. Additionally, the impact from applying hyperinflation accounting generated a plus of € 30 million.

RBI AG's Annual General Meeting in June 2012 approved the payment of a dividend of € 1.05 per share for the financial year 2011, which equated to a distribution totaling € 204 million. In addition, a dividend of € 200 million was paid on the participation capital.

Consolidated profit contributed € 725 million to equity in 2012.

Capital of non-controlling interests declined € 424 million to € 719 million in 2012, attributable principally to purchases of non-controlling interests, which include 24 per cent in Raiffeisenbank a.s., Prague, 13 per cent in Tatra banka, a.s., Bratislava, 30 per cent in Raiffeisen Bank Zrt., Budapest, 12 per cent in Raiffeisen Banka d.d., Maribor, and 3 per cent in Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo. Furthermore, dividends of € 58 million were paid to minority shareholders in the reporting year.



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

During the reporting period, the calculation of eligible own funds according to Section 29a BWG was changed to international accounting standards. The comparable figures are based on BWG/UGB and have not been modified. RBI does not form an independent credit institution group (Kreditinstitutsgruppe) as defined by the BWG and therefore is not subject to the regulatory provisions on a consolidated basis as it is part of the RZB Group. The consolidated values shown below have been calculated in accordance with the provisions of the BWG and are assumed in calculations of the RZB credit institution group.

Credit risk is predominantly calculated according to the internal ratings-based approach (foundation IRB approach) in accordance with Section 22 BWG. This affects most non-retail business at RBI AG and its subsidiaries in Croatia, the Czech Republic, Hungary, Malta, Romania, Russia, Slovakia and the USA. A large portion of the loans and advances to retail customers in the Czech Republic, Hungary and Slovakia are measured using the advanced IRB approach. Market risk is predominantly measured using the standardized approach; RBI AG carries out the calculation in part according to the internal model.

Consolidated own funds pursuant to BWG amounted to € 12,885 million as of 31 December 2012, which represents an increase of € 27 million for the reporting year.

Core capital fell 2 per cent or € 155 million to € 9,279 million. The impact of the change in calculation methodology to international accounting standards was positive at the end of the second quarter at € 497 million. In contrast, core capital declined by a total of € 405 million as a result of the acquisition of non-controlling interests by RBI. The repurchase of hybrid tier 1 capital from external investors reduced core capital by a further € 359 million. Likewise, the consolidation of Polbank at the

beginning of May reduced core capital by another € 229 million. The profit of the financial year is included in the calculation. However, the projected financial year 2012 dividend has been deducted. In contrast, the appreciation in particular of the Polish zloty, the Hungarian forint and the Russian rouble against the euro had a positive impact on own funds.

Additional own funds were down € 28 million year-on-year at € 3,340 million. This item consists of long-term subordinated capital, of which the largest part pertained to RBI AG at € 2,878 million, and the provision excess of IRB positions of € 226 million. Short-term subordinated capital increased € 202 million to € 302 million as a result of maturing tier 2 issuances. The deduction items related to participations, securitizations and insurance companies came to € 36 million (2011: € 44 million).

Own funds stood in contrast to a lower own funds requirement of € 6,626 million, a decrease of € 998 million. The own funds requirement for credit risk was € 5,451 million (a decrease of 12 per cent or € 721 million year-on-year), of which € 2,439 million related to the standardized approach and € 3,012 million to the IRB approach. The requirement for the position risk in bonds, equities and commodities fell € 247 million to € 273 million. This decline occurred in part due to EBA requirements to reduce the bank's non-core business with a focus on market risk positions and partly owing to the update of the internal model. This also reduced the own funds requirement for open currency positions by 60 per cent or € 84 million down to € 56 million. The requirement for operational risk was € 845 million (2011: € 792 million).

This led to an improvement of the excess cover ratio by 25.8 percentage points to 94.5 per cent or € 6,260 million.

The tier 1 ratio – based on credit risk – was 13.6 per cent. Based on total risk, the core tier 1 ratio was 10.7 per cent, with a tier 1 ratio of 11.2 per cent. The own funds ratio totaled 15.6 per cent.

## Successful implementation of EBA requirements

In the fall of 2011, the EBA decided to implement stricter capital requirements for about 70 system-relevant banks in the EU, in order to fortify the financial system. As part of this initiative, a core capital ratio (core tier 1 ratio as per EBA definition) of 9 per cent was defined as a target value to be reached by 30 June 2012. For RZB Group – RBI itself was not covered in the EBA analysis – this decision resulted in an additional capital requirement of about € 2.1 billion pursuant to EBA calculations. Following the implementation of numerous internal measures by the bank itself, this amount was well exceeded without government support. At the set date, the figure for RZB Group was 10.0 per cent, and even 10.6 per cent including net profit.

# Research and development

As a bank, RBI is generally not involved in research and development in the strictest sense of the term.

In the context of financial engineering, however, it does develop customized solutions for investment, financing or risk hedging. Financial engineering encompasses not only structured investment products, but also structured financing, i.e. financing concepts that go beyond the application of standard instruments and are used in acquisition or project financing, for example. RBI also develops individual solutions to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk.

# Internal control and risk management system in regard to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RBI and its governing bodies. Naturally, these reports must comply with all relevant statutory requirements. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process. The internal control system is intended to provide the management with the information needed to ensure effective internal controls for accounting, which are constantly being improved. The control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, notably the Austrian Banking Act (BWG) and Austrian Commercial Code (UGB), which govern the preparation of consolidated annual financial statements. The accounting standards used to prepare the consolidated financial statements are the International Financial Reporting Standards (IFRS) as adopted by the EU.

## Control environment

An internal control system has been in place for many years at RBI and its parent, RZB Group, which includes directives and instructions on key strategic topics. The system comprises the following aspects:

- the hierarchical decision-making process for approving Group and company directives and departmental as well as divisional instructions,
- process descriptions for the preparation, quality control, approval, publication, implementation and monitoring of directives and instructions,
- rules on revising and repealing directives and instructions.

The management in each Group unit is responsible for implementing Group-wide instructions. Compliance with Group rules is monitored as part of the audits performed by internal and local auditors.

Consolidated financial statements are prepared by the Group Financial Reporting department, which reports to the Chief Financial Officer. The relevant responsibilities are defined Group-wide within the framework of a dedicated function.

## Risk assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of different valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, social capital and the intrinsic value of securities, participations and goodwill.

## Control measures

The preparation of individual financial statements is decentralized and carried out by each Group unit in accordance with the RZB Group guidelines. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in reporting dates and local accounting standards can result in inconsistencies between the individual financial statements and the figures submitted to RBI. The local management is responsible for ensuring compliance with mandatory internal control measures, such as the separation of functions and the principle of dual control.

## Group consolidation

The financial statement data, which are examined by an independent auditor, are usually entered directly in the Cognos Controller consolidation system by the end of January of the subsequent year. The IT system is kept secure by limiting access rights.

The plausibility of each Group unit's financial statements is initially checked by the relevant key account manager within the Group Financial Reporting department. Group-wide control activities comprise the analysis and, where necessary, modification of the financial statements which are submitted by the Group units. In this process, the reports submitted by the auditor and the results of meetings with the representatives of the individual companies where the financial statements are discussed, are taken into account. The discussions cover the plausibility of the individual financial statements as well as critical matters pertaining to the Group unit.

The subsequent consolidation steps are then performed using the Cognos Controller consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Finally, possible intra-Group gains are eliminated. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, the BWG and the UGB.

In addition to the Management Board, the general control system also encompasses middle management (department heads). All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of the interim results to the specific reconciliation of accounts through to analyzing ongoing accounting processes.

The consolidated financial statements and management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the Supervisory Board for information. The consolidated financial statements are published on the company's website, in the Wiener Zeitung's official register, and are filed with the commercial register as part of the annual report.

## Information and communication

The consolidated financial statements are prepared using Group-wide standardized forms. The accounting and valuation standards are defined and explained in the RZB Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

Each year the annual report shows the consolidated results in the form of a complete set of consolidated financial statements. These consolidated financial statements are examined by an external auditor. In addition, the management summary (Group management report) provides verbal comments on the consolidated results in accordance with the statutory requirements.

Throughout the year the Group produces consolidated monthly reports for Group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for the management, as are preliminary Group figures at regular intervals. The financial budgeting system prepared by the Planning & Finance department includes a three-year Group budget.

## Monitoring

The Management Board and the Controlling department are responsible for ongoing internal monitoring. In addition, the relevant department heads are responsible for monitoring their areas which includes performing regular controls and plausibility checks.

Internal audits also constitute an integral part of the monitoring process. Group Audit at RZB is responsible for auditing. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules also apply (notably the audit charter).

Group Audit regularly and independently verifies compliance with the internal rules within the RZB Group units. The head of Group Audit reports directly to the RZB and RBI Management Boards.



# Capital, share, voting and control rights

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

(1) The company's capital stock amounts to € 596,290,628.20 and is divided into 195,505,124 voting common bearer shares. Of those, 557,295 are own shares as of 31 December 2012, which means that 194,947,829 shares were outstanding as of the reporting date. Please consult the notes on equity (34) for more information.

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

(3) As of 31 December 2012, RZB holds around 78.5 per cent of the capital stock in the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, Vienna; the remaining shares are free float. The Management Board knows of no direct or indirect participations in the capital amounting to 10 per cent or more. The R-Landesbanken-Beteiligung GmbH, Vienna, holds around 78.5 per cent of the shares of RZB directly, and Raiffeisen-Landesbanken-Beteiligung's shares are, in turn, wholly owned by the Raiffeisen-Landesbanken-Holding GmbH.

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

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

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

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 8 June 2011 to increase the capital stock – in one or more tranches – by up to € 298,145,314.10 by issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind within five years after recording the relevant amendment to the articles of association in the commercial register, while preserving the right of subscription to which the law entitles shareholders, including the right of indirect subscription by way of a bank pursuant to Section 153 (6) of AktG, and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is authorized to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

Pursuant to Section 159 (2) 1 of AktG, the capital stock has been increased contingently by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares (contingent capital). The capital increase would only be carried out to the extent that holders of convertible bonds issued under the resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the company. Pursuant to Section 174 (2) of AktG, the Annual General Meeting of 10 June 2008 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2 billion, which grant owners conversion or subscription rights for up to 15,466,750 common bearer shares of the company with a pro rata amount of the capital stock of up to € 47,173,587.50, within five years from the date of resolution adopted by the Annual General Meeting, with the approval of the Supervisory Board. Shareholders' subscription rights to the convertible bonds are excluded. No convertible bonds have been issued to date.

The Annual General Meeting of 20 June 2012 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 8 of AktG, during a period of 30 months from the date of the resolution, up to a maximum of 10 per cent of the company's respective capital stock and, if deemed appropriate, to retire them. The authorization may be exercised in one or more installments, for one or more purposes - with the exception of securities trading - by the company, by affiliated enterprises or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the exclusion of shareholders' subscription rights. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution on 10 June 2008, shareholders' subscription rights may be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to buy back and use own shares that was granted in the Annual General Meeting of 8 July 2010. No own shares have been bought since the authorization was issued in June 2012.

The Annual General Meeting of 20 June 2012 also authorized the Management Board, under the provisions of Section 65 (1) 7 of AktG, to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution, of up to a maximum of 5 per cent of the company's respective capital stock. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice this closing price. This authorization may be exercised in one or several installments by the company, by affiliated enterprises or, for their account, by third parties. This authorization replaces the authorization for the purpose of securities trading that was granted in the Annual General Meeting of 8 July 2010.

The Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of AktG in a total nominal amount of up to € 2 billion within five years from the date of the resolution, with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger of RZB's principal business areas with Raiffeisen International to form RBI with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring company were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB. No further participation rights have been issued to date. Please consult the notes on equity (34) for more information.

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

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

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

- The company's D&O insurance provides that, if RBI comes under new control due to a merger, the insurance contract automatically terminates without notice and the insurance will only cover events of loss due to breach of duty occurring prior to the merger. In the event of multiple insurance policies resulting from the change in control, the insurance contract also only covers events of loss due to breach of duty occurring prior to the change in control.

- The company's SIP provides the following upon change in corporate control: "If a change in corporate control or a merger occurs during the vesting period without the combination being exclusively concerned with subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI and the investor's actual possibility of disposing of them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment."
- Furthermore, the syndicate agreements concluded by RBI in relation to individual subsidiaries with the relevant shareholders will automatically be terminated upon a change of control.
- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.
- The company's refinancing agreements and financing guarantees granted to subsidiaries provide for the right of early termination upon a change of control with negative material ramifications.

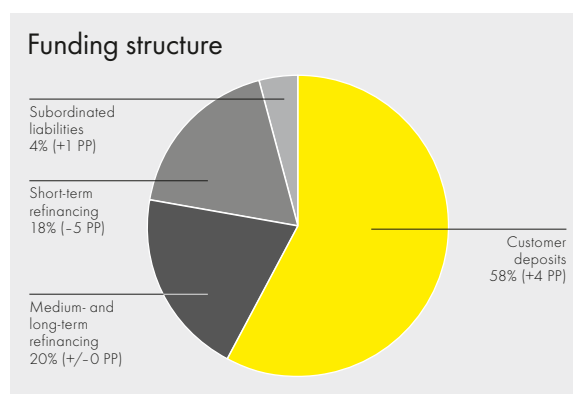
(9) There are no indemnification agreements between the company and its Management Board, Supervisory Board members or employees for the case of a public takeover bid.

## Funding

Banks essentially refinance themselves using their own funds, customer deposits and various capital and interbank market tools. In the first half of 2012, the banking environment was again heavily influenced by the sovereign debt crisis, which made refinancing difficult for banks – particularly via capital markets. This situation improved gradually over the second half of the year.

### Stable basis for refinancing

RBI's refinancing need is based on two key elements. First, there are customer deposits, which at the end of 2012 accounted for € 66.3 billion or 58 per cent of refinancing. Second, there is wholesale funding, which totaled € 47.4 billion, or the remaining 42 per cent. The high share of customer deposits creates a stable refinancing basis, making RBI less vulnerable to the financial markets volatility.



### Diversified funding sources

The wholesale funding of network banks was further diversified in 2012. More than 40 per cent of the wholesale funding of RBI subsidiaries in Central and Eastern Europe came from external sources.

Supranational institutions (e.g., EBRD and IFC) and their contributions to refinancing support SME and energy efficiency projects in CEE. Thus, they are important partners for the Group, particularly because their financing has a positive influence on the development of the loan to local stable funding ratio. RBI cooperates with these institutions not only in financing but also in other areas such as risk-sharing programs that optimize risk-weighted assets.

Additional sources of funding include structured transactions such as the securitization of PLN 500 million for the Polish leasing subsidiary, which was organized by RBI in the first quarter of 2012 and successfully placed with private investors. In June 2012, the first tranche of diversified payment rights securitization, originated by Raiffeisenbank Moscow, was placed for a total of USD 125 million.

## Successful benchmark issues

RBI's resources for medium to long-term refinancing include two issuance programs, the "EUR 25,000,000,000 Debt Issuance Program" and the "EUR 20,000,000,000 Emissionsprogramm der Raiffeisen Bank International AG." Under these programs, bonds can be issued in different currencies and with different structures. The total volume of outstanding bonds under these two programs may not exceed € 25 billion and € 20 billion, respectively. At the end of 2012, a total of € 12 billion had been drawn on from the two programs.

In spite of the volatile market environment, RBI promptly covered its funding needs for 2012 with the issuance of a senior benchmark bond and numerous private placements within the first six months. In March, the first benchmark bond was issued. It was a € 500 million senior fixed-rate bond with three-year maturity. The issue was significantly oversubscribed.

In the first quarter of 2012, RBI also issued its first Chinese currency bond (the first CNY senior bond issued by a Western bank) valued at CNY 750 million.

Before the summer break, RBI took advantage of the friendlier market environment to issue a second benchmark bond for € 750 million. This issue was also oversubscribed. The bond which has a five-year maturity was placed with a coupon of 2.75 per cent.

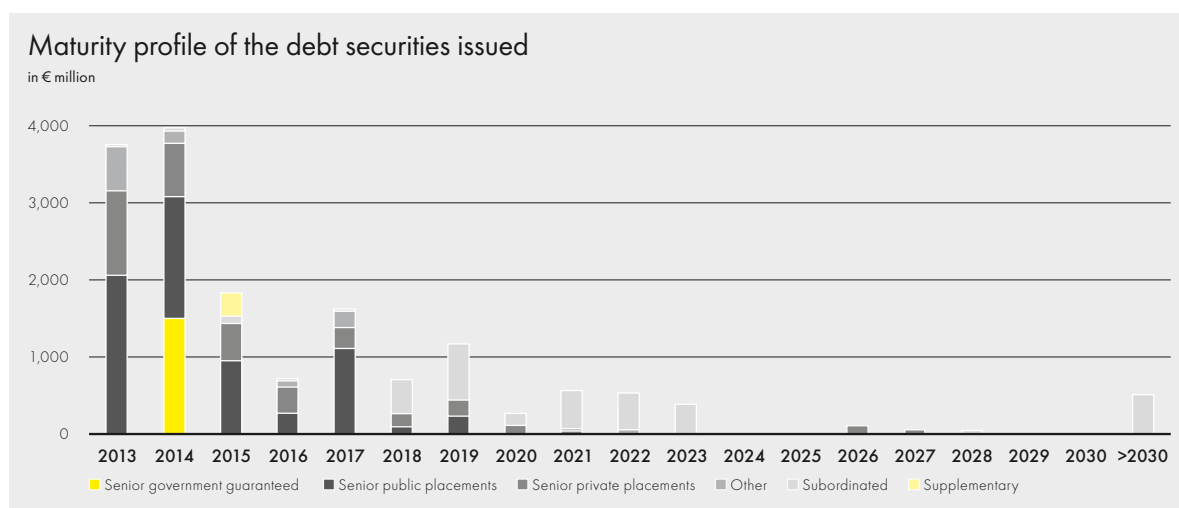
In addition to senior bonds, RBI successfully raised subordinated funding as well. In October, the Group was the first Austrian bank to issue a subordinated bond in Swiss francs. Due to high demand, the bond raised CHF 250 million, thereby greatly surpassing expectations. The bond's maturity is ten years with a 4.75 per cent coupon.

Shortly after the Swiss francs bond's debut, RBI offered existing investors to exchange supplementary capital with a tier 2 subordinated bond, which approximately half of the investors accepted.

## Further refinancing measures

For short-term funding, RBI used both the interbank market and its program for short-term issues (commercial paper), the European Commercial Paper Program. Under this program, RBI issued commercial papers in various currencies, therefore enabling it to refinance itself outside the interbank market.

In an effort to diversify its funding sources, RBI is actively working on developing additional secured refinancing options, where existing assets can be used to secure long-term funding.



# Risk management

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

This function reaches across the entire organizational structure, including all levels of management. It is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the conscious handling and professional management of credit risk, country risk, market risk, liquidity risk, investment risk, and operational risk in order to ensure an appropriate risk-reward ratio.

## Capital requirements

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

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

## Liquidity risk

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

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

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

## Interest rate risk

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

## Market risk

Since January 2010, market risk management has been based on the figures from an internal model. The model uses a hybrid approach - i.e. a combination of historical and Monte Carlo simulations with 5,000 scenarios - to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest rate development, bonds credit spreads, credit default swaps and equity indices. To improve the modeling of risk factors where the probability of extreme price changes exceeds the probability given by the normal distribution, numerous approaches were integrated into the model. These include the enhancement of scenarios to include extreme events or the consideration of the current volatility levels in generating scenarios and different time horizons in the volatility estimate. This model already forms the basis for implementing the strict Basel III requirements into internal models. The model was expanded to include a stressed VaR module, to include current regulatory requirements since 31 December 2011. An additional model was established in 2012 to improve the measurement of option risks.

The daily scope of management includes RBI's trading and banking books based on VaR on a holding period of 1 day and a confidence interval of 99 per cent as well as sensitivity limits. The market risk position, the limit process and the presentation of all capital market activities on the income statement are among the items on the fixed agenda for the weekly Market Risk Committee meeting.

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

## Management of non-performing loans

The fact that 2012 was a difficult year for the CEE region, and thus for RBI's home market, was reflected in the increase in non-performing loans to non-banks (up 16 per cent or € 1,127 million compared to 2011) whereof € 508 million resulted from the integration of Polbank at the time of its first-time consolidation.

The allocation of corresponding loan loss provisions was, however, partly offset by high returns from reorganization measures. In doing so, adequate coverage was ensured through allowances. Workout management will remain one area of focus in 2013.

RBI achieved improvements in 2012 in the early recognition and treatment of troubled loans, thereby preventing a further increase in non-performing loans to a great extent. The improved process efficiency, ongoing steps to improve employee training in this area and continuous exchange of experience among the individual members of the Group are significant cornerstones here.

## Basel II and III – regulatory environment

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

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

The following table gives an overview of the current status of these projects. The implementation of the IRB approach in subsidiaries in the CEE region will be continued in 2013.

Unit	Credit risk		Market risk	Operational risk
	Non-Retail	Retail		
Raiffeisen Bank International AG, Vienna (Austria)	IRB <sup>1</sup>	n.a.	Internal model <sup>2</sup>	STA <sup>3</sup>
RBI Finance (USA) LLC, New York (USA)	IRB	STA <sup>3</sup>	STA	STA
Raiffeisenbank a.s., Prague (Czech Republic)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (Hungary)	IRB	IRB	STA	STA
Raiffeisen Malta Bank plc., Sliema (Malta)	IRB	STA	STA	STA
Tatra banka a.s., Bratislava (Slovakia)	IRB	IRB	STA	STA
Raiffeisen Bank S.A., Bucharest (Romania)	IRB	STA	STA	STA
Raiffeisenbank Austria d.d., Zagreb (Croatia)	IRB <sup>4</sup>	STA	STA	STA
Raiffeisenbank Russland d.d., Moscow (Russia)	IRB <sup>4</sup>	STA	STA	STA
All other units	STA	STA	STA	STA

<sup>1</sup> IRB = internal ratings-based approach

<sup>2</sup> Only for risks of open foreign-exchange positions and general interest-rate risk on the trading book

<sup>3</sup> STA = standard approach

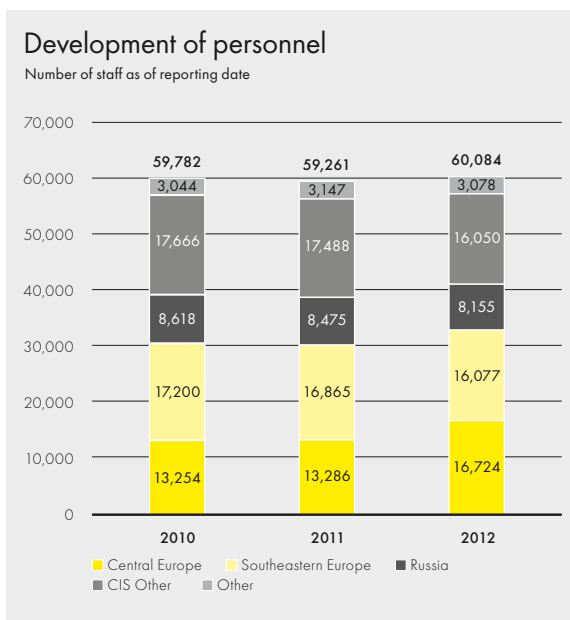
<sup>4</sup> Only at consolidated level

The standard approach is currently used in all principal Group units for the capital backing of operational risk in accordance with Basel II.

# Human resources

Human Resources (HR) at RBI is responsible for ensuring that personnel resources are deployed throughout the company in a sustainable manner. It operates in an environment of interplay between short- and long-term measures. The year 2012, for example, was characterized both by cost reduction programs, which had to have an immediate effect, and at the same time by development initiatives intended to safeguard the future of the company.

As of 31 December 2012, RBI had 60,084 employees (full-time equivalents), 823 people or 1 per cent more than at the end of 2011. This is based on the first inclusion of Polbank personnel figures; without this effect, a reduction of 5 per cent would have been achieved. Measured on the country's total number of employees, the largest absolute reduction occurred in Ukraine. The average age of employees was relatively low at 36 years, making RBI a young and dynamic bank. Graduates accounted for 68 per cent of employees, indicating a highly skilled workforce. 67 per cent of employees were women.



## Performance management

RBI's current performance management was adapted in 2012 to the statutory requirements of the BWG. Furthermore, the coordination of target-setting and the budgeting processes were improved from both a timing and content perspective, and performance indicators were revised. In the individual network units, the focus was directed on efficient processing of these requirements and further improvement of the target and development agreements.

## Talent management and management development

In the 2012 reporting year, a Group-wide initiative was started to further improve the quality of the bank's talent management system; the objective of this was to optimize the implementation of the talent management system in practice. Following an analysis of talent management processes in the network banks, an international project team consisting of HR experts from the Group head office and the network, together with external specialists, identified best practices, which were then shared with other Group units. When needed, these Group units were also supported with their implementation of the measures derived from these best practices. Building on the results of the analysis, opportunities for employees to switch between divisions and countries within the company will be expanded in 2013.

## Professional development

In accordance with the Group's strategy, the focus of training activities in 2012 was on professional topics such as capital market products, business with affluent retail customers, risk management and collections. Extensive training initiatives on the subject of "lean" organizations support managers and employees with the streamlining of processes and the associated improvements in efficiency. Basic knowledge is provided via eLearning, while practical implementation takes place primarily during visits to Group units where the lean methodology has already been successfully implemented.

Promoting the international exchange of knowledge and experience continues to remain an important concern for RBI. Hence, the "International Young Potentials" program was launched in 2012 for the second time, promoting high potential employees from network banks by providing them with trainee assignments in other network banks. Exchange programs for experienced employees, e.g., from Risk Management or Treasury, were also further expanded.



## Local initiatives

The focus in all network banks during the reporting period was on cost optimization initiatives. Several banks, such as Tatra banka in Slovakia, closely scrutinized the structure of their voluntary fringe benefits and optimized their organization and processes as part of the Lean project. In Raiffeisen Bank Aval in Ukraine, an extensive project was started to restructure the entire network in order to create simpler management structures and reduce the number of full-time equivalents in the regions. Hence, 25 regional centers were combined into 7 macro-centers, enabling the number of regional managers and full-time equivalents to be reduced by 78 and 408, respectively.

A particular challenge for HR was the merger of Raiffeisen Bank Polska with Polbank. Besides combining the cultures of the two banks – with the help of joint workshops – a fair selection process for the future managers of the target organization was implemented. Common HR tools and processes will serve as the basis for good cooperation within the merged bank.

## Developments in human resources

Additional focal points of Group-wide Human Resources activities in 2012 included further development and implementation of HR Group guidelines and policies, promoting communication, as well as cooperation and experience-sharing between HR experts on the subject of best HR practices in the Group.

Regional HR meetings, at which the participating countries determine the respective agendas, also proved to be an effective platform, especially in discussing and developing joint regional HR topics. At the regional meetings for the CIS and Southeastern Europe in Moscow and Belgrade the main focus lay on cost optimization initiatives. Additional focal points included talent management, succession planning, management development, further development of regional assessment centers and a common Group approach toward the subjects of position classification and salary structure.

In addition, the growing number of branches and employees in Southeast Asia and China made it necessary to expand on-site Human Resources activities there.

## Developments in compensation

Since banks are typical services companies, personnel costs represent a major portion of administrative expenses – at RBI Group it was 49 per cent in 2012 – and cost reduction programs impacted salaries, too. Cost reductions were therefore achieved not only by cutting headcount, but also through adjustments to other fringe benefits at several network units. Based on the first-time inclusion of Polbank personnel costs rose 4 per cent year-on-year.

As part of the performance management process, increased attention was paid to granting salary increases or bonuses only to strong performers on the basis of differentiated performance evaluations.

A significant portion of the Human Resources capacity was channeled in 2012 toward implementing the special regulations for compensation systems in the banking sector. The general (for all employees) and special (only for executive management, risk buyers and special employees in control functions) remuneration principles that were developed in 2011 were implemented during the reporting period.

Every year, all companies associated with RBI Credit Institution Group are assessed based on risk criteria in order to determine on this basis to what extent the remuneration rules apply. In addition, the positions subject to the restrictive provisions of the BWG are likewise identified each year for all companies.

# Outlook

## Economic prospects

### Central Europe

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

### Southeastern Europe

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

### CIS

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

### Eurozone

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

## Asia

Following a period of weak economic growth in the first three quarters of 2012, the Chinese economy regained momentum in the fourth quarter. This trend is likely to intensify in the first half of 2013, supported primarily by infrastructure projects initiated in 2012. Due to the global economic recovery, exports should also increase again significantly in the second half of 2013. Overall, experts therefore forecast GDP growth of 8.5 per cent for 2013. Despite low inflation, further monetary easing is unlikely to occur as the government is trying to counteract an increase in real estate prices and growth in shadow banking. From a fiscal policy perspective, however, further tax reforms and reductions, among other initiatives, are pending. The Indian economy should likewise regain momentum in 2013, following a decline in growth in 2012. Significant recovery is to be expected, particularly in the second half of the year. Reduced interest rates and an improved business environment are likely to lead to a considerable surge in investment, on the condition of a positive global environment favoring foreign capital inflows. India is likely to achieve economic growth of 6.7 per cent for the full year.

## Outlook for RBI

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

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

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

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

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

## Events after the reporting date

There were no events after the reporting date that require disclosure.

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# Segment reports

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The details on the division of the segments are explained in the segment reports section of the consolidated financial statements.

## Segment overview

RBI's profit before tax declined 25 per cent year-on-year to € 1,032 million. More than half of the profit before tax came from the Russia regional segment, which posted a considerable increase in 2012. Results in the functional segments, however, declined year-on-year.

Profit before tax in Central Europe increased from € 33 million to € 53 million thanks to a reduction in net provisioning for impairment losses in Hungary and despite the initial consolidation of Polbank. Total assets increased 17 per cent to € 40.8 billion compared to the previous year.

The Southeastern Europe region generated profit before tax of € 303 million in 2012, a decline of 14 per cent. Lower operating income was partially offset by a reduction in general administrative expenses. Total assets in the segment shrank 7 per cent year-on-year to € 21.3 billion.

Russia made by far the largest regional contribution to earnings with profit before tax of € 599 million. The 38 per cent rise resulted primarily from increase in operating income. Total assets in the segment rose 10 per cent year-on-year to € 15.6 billion.

In the CIS Other segment, profit before tax rose 2 per cent to € 108 million, primarily due to an increase in operating income and lower net provisioning for impairment losses. Total assets in the segment declined 7 per cent year-on-year to € 6.3 billion.

In 2012, the Group Corporates segment recorded a 15 per cent decrease in profit before tax to € 319 million, attributable largely to lower operating income combined with higher administrative expenses. Total assets declined 17 per cent year-on-year to € 19.0 billion.

Profit before tax in the Group Markets segment fell 3 per cent to € 258 million compared to the previous year, mainly due to lower operating income while other results increased because of the sale of securities. Total assets decreased 21 per cent to € 20.2 billion year-on-year.

Despite an increase in net interest income, the Corporate Center segment reported a higher net loss before tax of € 399 million because of valuation losses on derivatives and liabilities. Total assets declined 12 per cent to € 47.3 billion year-on-year.

# Segment development

## Central Europe

In Central Europe, profit before tax rose 61 per cent to € 53 million in 2012, helped by considerably lower net provisioning for impairment losses in the region even though there was a negative effect from the initial consolidation of Polbank and from expenses in connection with the operational merger of the two banks in Poland. Return on equity before tax rose 0.5 percentage points to 1.7 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	1,529	1,668	(8.3)%	412	375	9.8%
General administrative expenses	(1,037)	(938)	10.5%	(314)	(264)	19.0%
<b>Operating result</b>	<b>492</b>	<b>730</b>	<b>(32.6)%</b>	<b>98</b>	<b>111</b>	<b>(12.0)%</b>
Net provisioning for impairment losses	(517)	(646)	(20.0)%	(224)	(94)	138.6%
Other results	78	(50)	-	27	24	16.4%
<b>Profit/loss before tax</b>	<b>53</b>	<b>33</b>	<b>60.8%</b>	<b>(99)</b>	<b>41</b>	<b>-</b>
Total assets	40,787	34,852	17.0%	40,787	41,601	(2.0)%
Net interest margin (average interest-bearing assets)	2.85%	3.36%	(0.50) PP	2.81%	2.73%	0.08 PP
<b>Return on equity before tax</b>	<b>1.7%</b>	<b>1.2%</b>	<b>0.5 PP</b>	<b>-</b>	<b>5.5%</b>	<b>-</b>

## Operating income

Net interest income in the region decreased 5 per cent to € 1,043 million year-on-year. The most pronounced decline was in Hungary, primarily due to the premature repayment of foreign-currency loans to retail customers and higher interest expense for customer deposits. Most of these had been financed by more favorable bank deposits in the previous year. In the Czech Republic, retail business decline due to general economic conditions was the main cause for lower net interest income. In Slovakia, the competitive banking environment led to higher interest expense for client deposits, leading to a reduction in net interest income. In contrast, net interest income in Poland surged by 41 per cent due to Polbank consolidation. The segment's profitability declined year-on-year as net interest margin fell 50 basis points to 2.85 per cent. Total assets rose 17 per cent or € 5.9 billion to € 40.8 billion year-on-year due to Polbank consolidation. Credit risk-weighted assets increased 2 per cent from € 21.5 billion to € 22.0 billion.

Net fee and commission income for the segment increased 1 per cent or € 5 million to € 496 million year-on-year. Net income from payment transfer business rose 3 per cent to € 201 million due to the development in Poland. Net income from loan and guarantee business, however, fell 10 per cent to € 65 million because of lower business volumes and a lower number of transactions, particularly in Hungary and the Czech Republic. Net income from foreign currency, notes/coins and precious metals business rose 2 per cent to € 150 million year-on-year, primarily due to developments in Poland.

Net trading income for the Central Europe segment dropped 90 per cent to € 8 million year-on-year. Net income from currency-based transactions in particular decreased, dropping from € 62 million to minus € 3 million. The most pronounced decline was recorded in Hungary, attributable to the valuation result from derivatives. Net income from interest-based transactions decreased € 4 million to € 10 million compared to the previous year. Hungary was again the reason for this decline as its valuation result from interest-rate derivatives was considerably lower.

The region's other net operating income declined from minus € 2 million to minus € 18 million despite income from the release of other provisions in Hungary, which had primarily been established for legal disputes. The introduction of a bank levy in Slovakia adversely impacted net income with € 29 million. The bank levy in Hungary totaling € 24 million also had a stronger negative impact on net income than in the previous year. In 2012, fewer losses resulting from the early repayment of foreign currency loans permitted under the legal framework in Hungary could be offset when compared to 2011.

## General administrative expenses

General administrative expenses in the Central Europe segment increased 11 per cent year-on-year to € 1,037 million. This increase is exclusively due to Polbank consolidation and its operational merger with Raiffeisen Bank Polska. There were cost reductions in other countries, particularly in Hungary, where a decrease in business outlets and headcount reduction considerably reduced staff expenses. The segment's other administrative expenses increased to € 435 million, primarily due to Polbank consolidation. Depreciation also increased 26 per cent to € 121 million during the reporting year, largely caused by the Polbank consolidation in combination with higher depreciation on IT software in Slovakia as well as depreciation related to the branch network in Hungary. The number of business outlets in the segment increased by 301 to 853 year-on-year, once again mainly on account of the inclusion of 327 business outlets from Polbank. Despite the ongoing improvement in the segment's cost structure, the region's cost/income ratio rose 11.6 percentage points to 67.8 per cent because of lower operating income.

## Net provisioning for impairment losses

The segment's net provisioning for impairment losses declined 20 per cent to € 517 million. The decline was attributable mostly to Hungary, where the political and economic environment in the comparable period had required additional individual loan loss provisions. This was particularly due to the legally defined right to premature repayment of foreign currency loans at an exchange rate below the market rate. In total, net allocations to individual loan loss provisions decreased 13 per cent year-on-year to € 582 million. While allocations declined in Hungary, higher allocations were necessary, especially in Poland as a result of increased defaults in the construction sector and in the Czech Republic due to higher mortgage loans allocations. Portfolio-based loan loss provisions in the region increased € 40 million to € 61 million year-on-year. The largest change occurred in the Czech Republic, where it was necessary to provide a net allocation to individual loan loss provisions in the same amount as net releases in portfolio-based provisions. The share of non-performing loans from non-banks in the Central Europe segment's loan portfolio totaled 11.5 per cent at the end of the period under review (up 1.8 percentage points).

## Other results and taxes

Other results in the Central Europe segment improved from minus € 50 million to plus € 78 million year-on-year. Net income from financial investments, which was positively impacted by valuation gains totaling € 43 million from municipal bonds in Hungary, increased to € 52 million. Net income from derivatives in the region also increased due to higher valuation gains from various hedging transactions concluded to adjust the currency and interest-rate structure in the Czech Republic.

Income taxes for the segment rose 3 per cent to € 68 million. The tax rate thus remained at a relatively high level because of Hungary where, as in the previous year, incurred losses could not be fully deducted for tax purposes through the recognition of corresponding tax loss carry-forwards. Furthermore, tax loss carry-forwards for Polbank could likewise not be fully utilized due to tax restrictions.



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

## Czech Republic

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	257	278	(7.8)%	60	64	(6.2)%
Net fee and commission income	125	127	(1.4)%	33	31	7.9%
Net trading income	5	7	(32.4)%	0	1	(82.9)%
Other net operating income	8	10	(18.8)%	4	3	34.7%
<b>Operating income</b>	<b>395</b>	<b>422</b>	<b>(6.5)%</b>	<b>97</b>	<b>99</b>	<b>(1.5)%</b>
General administrative expenses	(237)	(237)	(0.1)%	(69)	(60)	14.2%
<b>Operating result</b>	<b>158</b>	<b>185</b>	<b>(14.7)%</b>	<b>28</b>	<b>38</b>	<b>(26.0)%</b>
Net provisioning for impairment losses	(75)	(79)	(4.9)%	(40)	(15)	166.8%
Other results	16	11	50.9%	2	7	(75.3)%
<b>Profit/loss before tax</b>	<b>99</b>	<b>117</b>	<b>(15.5)%</b>	<b>(10)</b>	<b>30</b>	-
Income taxes	(21)	(26)	(18.8)%	3	(7)	-
<b>Profit/loss after tax</b>	<b>78</b>	<b>91</b>	<b>(14.5)%</b>	<b>(7)</b>	<b>24</b>	-
Total assets	8,938	8,789	1.7%	8,938	9,054	(1.3)%
Loans and advances to customers	6,380	6,538	(2.4)%	6,380	6,368	0.2%
hereof corporate %	44.0%	42.3%	1.8 PP	44.0%	43.6%	0.4 PP
hereof retail %	55.8%	57.6%	(1.8) PP	55.8%	56.2%	(0.3) PP
hereof foreign currency %	7.1%	6.9%	0.2 PP	7.1%	6.8%	0.3 PP
Deposits from customers	6,319	6,039	4.6%	6,319	6,317	0.0%
Loan/deposit ratio	101.0%	108.2%	(7.3) PP	101.0%	100.8%	0.2 PP
Return on equity before tax	16.3%	20.8%	(4.5) PP	-	18.5%	-
Return on equity after tax	12.8%	16.2%	(3.4) PP	-	14.5%	-
Cost/income ratio	60.0%	56.1%	3.8 PP	70.7%	61.0%	9.7 PP
Number of employees as of reporting date	3,066	3,012	1.8%	3,066	3,044	0.7%
Business outlets	132	129	2.3%	132	132	0.0%
Number of customers	486,261	470,666	3.3%	486,261	487,292	(0.2)%

## Hungary

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	239	298	(19.6)%	62	57	8.7%
Net fee and commission income	77	90	(14.3)%	20	20	(0.6)%
Net trading income	(62)	38	-	(17)	(26)	(36.4)%
Other net operating income	(36)	(53)	(31.4)%	(11)	1	-
<b>Operating income</b>	<b>218</b>	<b>373</b>	<b>(41.5)%</b>	<b>54</b>	<b>51</b>	<b>5.9%</b>
General administrative expenses	(197)	(217)	(9.0)%	(53)	(48)	9.0%
<b>Operating result</b>	<b>21</b>	<b>157</b>	<b>(86.7)%</b>	<b>1</b>	<b>3</b>	<b>(49.0)%</b>
Net provisioning for impairment losses	(241)	(478)	(49.5)%	(94)	(39)	142.2%
Other results	59	(54)	-	24	19	24.3%
<b>Loss before tax</b>	<b>(162)</b>	<b>(375)</b>	<b>(56.8)%</b>	<b>(69)</b>	<b>(17)</b>	<b>304.7%</b>
Income taxes	(12)	19	-	(8)	3	-
<b>Loss after tax</b>	<b>(174)</b>	<b>(355)</b>	<b>(51.1)%</b>	<b>(77)</b>	<b>(14)</b>	<b>435.3%</b>
Total assets	7,155	7,320	(2.3)%	7,155	7,401	(3.3)%
Loans and advances to customers	5,231	5,564	(6.0)%	5,231	5,434	(3.7)%
hereof corporate %	55.8%	53.2%	2.6 PP	55.8%	56.0%	(0.2) PP
hereof retail %	37.9%	42.5%	(4.6) PP	37.9%	38.6%	(0.7) PP
hereof foreign currency %	63.3%	75.9%	(12.6) PP	63.3%	62.2%	1.1 PP
Deposits from customers	4,927	4,578	7.6%	4,927	4,984	(1.2)%
Loan/deposit ratio	106.2%	121.5%	(15.4) PP	106.2%	109.0%	(2.8) PP
Return on equity before tax	-	-	-	-	-	-
Return on equity after tax	-	-	-	-	-	-
Cost/income ratio	90.4%	58.1%	32.4 PP	97.4%	94.7%	2.7 PP
Number of employees as of reporting date	2,865	2,977	(3.8)%	2,865	2,904	(1.3)%
Business outlets	125	134	(6.7)%	125	125	0.0%
Number of customers	622,990	643,257	(3.2)%	622,990	631,653	(1.4)%

## Poland

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	269	191	40.8%	83	82	1.5%
Net fee and commission income	154	138	11.5%	42	43	(2.6)%
Net trading income	19	32	(40.4)%	1	(2)	-
Other net operating income	17	16	6.1%	13	(3)	-
<b>Operating income</b>	<b>460</b>	<b>378</b>	<b>21.6%</b>	<b>139</b>	<b>120</b>	<b>15.4%</b>
General administrative expenses	(329)	(209)	57.8%	(115)	(93)	23.8%
<b>Operating result</b>	<b>131</b>	<b>169</b>	<b>(22.9)%</b>	<b>24</b>	<b>28</b>	<b>(12.4)%</b>
Net provisioning for impairment losses	(127)	(58)	119.0%	(50)	(28)	77.4%
Other results	2	0	>500.0%	2	0	>500.0%
<b>Profit/loss before tax</b>	<b>6</b>	<b>112</b>	<b>(94.6)%</b>	<b>(23)</b>	<b>0</b>	<b>&gt;500.0%</b>
Income taxes	(5)	(24)	(78.4)%	2	(1)	-
<b>Profit/loss after tax</b>	<b>1</b>	<b>88</b>	<b>(99.0)%</b>	<b>(21)</b>	<b>(1)</b>	<b>&gt;500.0%</b>
Total assets	13,428	7,368	82.2%	13,428	13,711	(2.1)%
Loans and advances to customers	10,451	5,340	95.7%	10,451	10,561	(1.0)%
hereof corporate %	32.3%	61.8%	(29.4) PP	32.3%	32.3%	0.0 PP
hereof retail %	67.6%	37.6%	30.0 PP	67.6%	67.6%	0.0 PP
hereof foreign currency %	54.0%	39.8%	14.3 PP	54.0%	54.0%	0.0 PP
Deposits from customers	7,901	4,356	81.4%	7,901	7,920	(0.2)%
Loan/deposit ratio	132.3%	122.6%	9.7 PP	132.3%	133.3%	(1.1) PP
Return on equity before tax	0.6%	15.8%	(15.2) PP	-	-	-
Return on equity after tax	0.1%	12.4%	(12.3) PP	-	-	-
Cost/income ratio	71.6%	55.2%	16.4 PP	82.5%	76.9%	5.6 PP
Number of employees as of reporting date	6,656	3,169	110.0%	6,656	6,471	2.9%
Business outlets	416	116	258.6%	416	422	(1.4)%
Number of customers	871,102	246,586	253.3%	871,102	891,009	(2.2)%

## Slovakia

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	291	304	(4.0)%	74	70	5.9%
Net fee and commission income	132	129	2.6%	36	33	8.9%
Net trading income	6	(1)	-	0	2	(80.4)%
Other net operating income	(7)	25	-	4	(9)	-
<b>Operating income</b>	<b>423</b>	<b>456</b>	<b>(7.3)%</b>	<b>114</b>	<b>96</b>	<b>18.0%</b>
General administrative expenses	(250)	(251)	(0.3)%	(72)	(56)	28.6%
<b>Operating result</b>	<b>173</b>	<b>205</b>	<b>(15.8)%</b>	<b>41</b>	<b>40</b>	<b>3.3%</b>
Net provisioning for impairment losses	(41)	(17)	143.5%	(16)	(8)	93.2%
Other results	2	(4)	-	0	(2)	(72.9)%
<b>Profit before tax</b>	<b>134</b>	<b>185</b>	<b>(27.4)%</b>	<b>25</b>	<b>30</b>	<b>(17.4)%</b>
Income taxes	(28)	(36)	(20.3)%	(3)	(7)	(58.8)%
<b>Profit after tax</b>	<b>106</b>	<b>149</b>	<b>(29.1)%</b>	<b>22</b>	<b>23</b>	<b>(4.0)%</b>
Total assets	9,667	9,682	(0.2)%	9,667	9,794	(1.3)%
Loans and advances to customers	6,645	6,636	0.1%	6,645	6,652	(0.1)%
hereof corporate %	49.3%	52.0%	(2.7) PP	49.3%	49.5%	(0.2) PP
hereof retail %	50.5%	47.8%	2.7 PP	50.5%	50.3%	0.2 PP
hereof foreign currency %	0.9%	0.9%	(0.1) PP	0.9%	0.7%	0.1 PP
Deposits from customers	7,233	7,207	0.4%	7,233	7,213	0.3%
Loan/deposit ratio	91.9%	92.1%	(0.2) PP	91.9%	92.2%	(0.3) PP
Return on equity before tax	14.2%	21.0%	(6.7) PP	10.2%	12.3%	(2.1) PP
Return on equity after tax	11.2%	16.9%	(5.7) PP	9.0%	9.3%	(0.3) PP
Cost/income ratio	59.1%	55.0%	4.2 PP	63.6%	58.4%	5.2 PP
Number of employees as of reporting date	3,827	3,805	0.6%	3,827	3,823	0.1%
Business outlets	163	156	4.5%	163	152	7.2%
Number of customers	840,728	788,215	6.7%	840,728	830,408	1.2%

## Slovenia

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	25	31	(20.6)%	6	6	0.2%
Net fee and commission income	8	8	5.3%	2	2	(0.2)%
Net trading income	1	0	276.3%	0	0	64.9%
Other net operating income	0	0	-	0	0	(24.6)%
<b>Operating income</b>	<b>34</b>	<b>39</b>	<b>(13.1)%</b>	<b>9</b>	<b>8</b>	<b>1.3%</b>
General administrative expenses	(24)	(26)	(6.1)%	(6)	(6)	(4.7)%
<b>Operating result</b>	<b>9</b>	<b>13</b>	<b>(27.2)%</b>	<b>3</b>	<b>2</b>	<b>17.8%</b>
Net provisioning for impairment losses	(34)	(15)	121.3%	(25)	(4)	>500.0%
Other results	0	(4)	(97.0)%	0	(1)	-
<b>Loss before tax</b>	<b>(24)</b>	<b>(6)</b>	<b>304.6%</b>	<b>(22)</b>	<b>(2)</b>	<b>&gt;500.0%</b>
Income taxes	(1)	1	-	(1)	0	-
<b>Loss after tax</b>	<b>(25)</b>	<b>(6)</b>	<b>359.4%</b>	<b>(23)</b>	<b>(2)</b>	<b>&gt;500.0%</b>
Total assets	1,612	1,732	(6.9)%	1,612	1,651	(2.4)%
Loans and advances to customers	1,225	1,303	(6.0)%	1,225	1,275	(3.9)%
hereof corporate %	62.4%	61.7%	0.6 PP	62.4%	62.5%	(0.1) PP
hereof retail %	31.2%	32.1%	(0.9) PP	31.2%	31.3%	(0.1) PP
hereof foreign currency %	4.9%	6.9%	(2.0) PP	4.9%	5.0%	(0.1) PP
Deposits from customers	495	464	6.7%	495	489	1.1%
Loan/deposit ratio	247.6%	281.0%	(33.4) PP	247.6%	260.4%	(12.8) PP
Return on equity before tax	-	-	-	-	-	-
Return on equity after tax	-	-	-	-	-	-
Cost/income ratio	72.0%	66.6%	5.4 PP	69.1%	73.5%	(4.3) PP
Number of employees as of reporting date	310	323	(4.0)%	310	321	(3.4)%
Business outlets	17	17	0.0%	17	17	0.0%
Number of customers	68,593	67,526	1.6%	68,593	67,914	1.0%

## Southeastern Europe

In Southeastern Europe, where economy was weak in 2012, profit before tax declined 14 per cent to € 303 million year-on-year. Despite a reduction in general administrative expenses profit was negatively impacted by a decline in operating income and higher net provisioning for impairment losses. Return on equity before tax decreased 2.8 percentage points to 14.7 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	1,281	1,366	(6.2)%	316	318	(0.7)%
General administrative expenses	(702)	(746)	(6.0)%	(185)	(174)	6.3%
<b>Operating result</b>	<b>579</b>	<b>619</b>	<b>(6.4)%</b>	<b>131</b>	<b>144</b>	<b>(9.2)%</b>
Net provisioning for impairment losses	(287)	(258)	11.5%	(87)	(72)	21.3%
Other results	11	(10)	-	(2)	1	-
<b>Profit before tax</b>	<b>303</b>	<b>351</b>	<b>(13.8)%</b>	<b>41</b>	<b>72</b>	<b>(43.0)%</b>
Total assets	21,346	22,827	(6.5)%	21,346	21,866	(2.4)%
Net interest margin (average interest-bearing assets)	4.21%	4.41%	(0.20) PP	4.27%	3.94%	0.33 PP
<b>Return on equity before tax</b>	<b>14.7%</b>	<b>17.5%</b>	<b>(2.8) PP</b>	<b>8.0%</b>	<b>14.0%</b>	<b>(6.0) PP</b>

### Operating income

The segment's net interest income declined 5 per cent to € 869 million year-on-year. This decrease is attributable to different developments in several of the region's countries: In Croatia, maturities in the loan portfolio led to lower net interest income, while in Bulgaria, an adjustment to the expected cash flows for non-performing loans led to a decline. Although net interest income in Romania increased 13 per cent, this increase was mainly caused by a reclassification and came at the expense of net fee and commission income, which declined 20 per cent. The segment's net interest margin declined 20 basis points to 4.21 per cent. Total assets also decreased year-on-year from € 22.8 billion to € 21.3 billion, while credit risk-weighted assets declined 19 per cent to € 13.2 billion.

At € 319 million, net fee and commission income was also 13 per cent below the previous year's figure. Income from payment transfer business was unchanged year-on-year and thus remained the biggest contributor with € 178 million. Income from loan and guarantee business fell 67 per cent to € 20 million. This was mainly due to developments in Romania where - in addition to the reclassification previously mentioned - net fee and commission income was also down due to lower prices, especially in the retail business. In contrast, income from foreign currency, notes/coins and precious metals business, generated mainly in Croatia and Romania, remained unchanged year-on-year at € 69 million. Income from management of investment and pension funds declined 30 per cent to € 8 million due to an increase in government fees for pension funds in Croatia as well as lower transaction volumes.

Net trading income for the Southeastern Europe segment grew 28 per cent to € 53 million year-on-year. Net income from interest-based transactions rose considerably to € 33 million, primarily because of higher valuation gains on bonds in the Croatian trading portfolio, which climbed due to a narrowing in spreads. An increase in the trading portfolio balance also contributed to the rise. In contrast, income from currency-based transactions decreased to € 21 million, mostly because of a decline in the net valuation result from forward transactions in Romania.

Other net operating income remained virtually unchanged year-on-year at € 40 million. Although the release of other provisions had a positive impact in several countries within the region, income from operating lease business decreased, primarily due to lower new business volume in Croatia.

## General administrative expenses

The segment's general administrative expenses edged down 6 per cent to € 702 million year-on-year. Staff expenses decreased as a result of headcount reduction, especially in Romania, and due to lower bonus payments in Croatia. Other administrative expenses also declined 6 per cent to € 304 million, due to a reduction in legal, advisory and consulting expenses in Romania as well as advertising, PR and promotional expenses, particularly in Croatia and Romania. Depreciation in the region decreased 13 per cent as well to € 94 million, largely due to depreciation on tangible fixed assets and leased assets in Croatia and Serbia. Write-ups on previously impaired assets in Romania provided further improvement. At 54.8 per cent, the cost/income ratio remained virtually unchanged year-on-year.

## Net provisioning for impairment losses

The segment's net provisioning for impairment losses climbed 12 per cent year-on-year, reaching € 287 million. Although net releases of portfolio-based loan loss provisions totaled € 16 million during the reporting year, which were posted primarily in Bulgaria, they were lower than in the previous year (2011: € 54 million). However, net allocations to individual loan loss provisions declined 3 per cent or € 10 million to € 305 million, caused primarily by Group units in Bulgaria and Serbia. The share of non-performing loans to non-banks in the segment's loan portfolio increased 1.2 percentage points to 12.5 per cent.

## Other results and taxes

Compared to the same period last year, the segment's other results improved from minus € 10 million to plus € 11 million. This development was primarily caused by higher gains from the valuation and sale of government bonds in Romania, where a decline in yields occurred, as well as by the sale of corporate bonds in Serbia and Croatia. Net income from derivatives remained unchanged year-on-year, with valuation losses in Croatia at previous year's level.

Income taxes for the region dropped 23 per cent to € 36 million year-on-year, with the tax rate falling 1 percentage point to 12 per cent.

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

## Albania

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	77	87	(11.3)%	19	17	7.7%
Net fee and commission income	8	8	(0.7)%	2	2	17.1%
Net trading income	19	14	31.5%	5	5	(12.5)%
Other net operating income	(1)	(1)	(11.9)%	0	0	300.2%
<b>Operating income</b>	<b>103</b>	<b>108</b>	<b>(5.0)%</b>	<b>25</b>	<b>25</b>	<b>3.1%</b>
General administrative expenses	(42)	(39)	8.6%	(13)	(10)	30.8%
<b>Operating result</b>	<b>61</b>	<b>70</b>	<b>(12.6)%</b>	<b>12</b>	<b>15</b>	<b>(15.6)%</b>
Net provisioning for impairment losses	(20)	(14)	41.7%	(8)	(6)	34.5%
Other results	0	0	-	0	0	-
<b>Profit before tax</b>	<b>41</b>	<b>55</b>	<b>(26.6)%</b>	<b>4</b>	<b>9</b>	<b>(49.8)%</b>
Income taxes	(3)	(6)	(44.1)%	1	(1)	-
<b>Profit after tax</b>	<b>37</b>	<b>49</b>	<b>(24.5)%</b>	<b>5</b>	<b>8</b>	<b>(36.2)%</b>
Total assets	2,289	2,330	(1.7)%	2,289	2,361	(3.0)%
Loans and advances to customers	974	972	0.3%	974	968	0.7%
hereof corporate %	68.7%	65.6%	3.0 PP	68.7%	67.9%	0.8 PP
hereof retail %	31.3%	34.4%	(3.0) PP	31.3%	32.1%	(0.8) PP
hereof foreign currency %	64.6%	57.6%	7.0 PP	64.6%	67.8%	(3.2) PP
Deposits from customers	2,037	2,005	1.6%	2,037	2,116	(3.7)%
Loan/deposit ratio	47.8%	48.5%	(0.6) PP	47.8%	45.7%	2.1 PP
Return on equity before tax	22.7%	29.6%	(6.9) PP	9.2%	17.8%	(8.6) PP
Return on equity after tax	20.8%	26.4%	(5.6) PP	10.4%	15.8%	(5.4) PP
Cost/income ratio	40.9%	35.8%	5.1 PP	51.1%	40.3%	10.8 PP
Number of employees as of reporting date	1,388	1,427	(2.7)%	1,388	1,419	(2.2)%
Business outlets	105	105	0.0%	105	105	0.0%
Number of customers	712,875	692,142	3.0%	712,875	698,367	2.1%



## Bosnia and Herzegovina

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	72	78	(7.6)%	18	18	(2.1)%
Net fee and commission income	31	32	(0.9)%	8	8	(4.5)%
Net trading income	1	1	13.7%	0	0	(43.1)%
Other net operating income	0	4	(97.0)%	0	0	-
<b>Operating income</b>	<b>105</b>	<b>115</b>	<b>(8.7)%</b>	<b>26</b>	<b>27</b>	<b>(4.3)%</b>
General administrative expenses	(63)	(66)	(4.8)%	(18)	(15)	15.3%
<b>Operating result</b>	<b>42</b>	<b>49</b>	<b>(14.0)%</b>	<b>8</b>	<b>12</b>	<b>(29.9)%</b>
Net provisioning for impairment losses	(21)	(20)	4.6%	(5)	(4)	27.6%
Other results	2	(2)	-	0	0	(86.4)%
<b>Profit before tax</b>	<b>23</b>	<b>27</b>	<b>(14.9)%</b>	<b>3</b>	<b>7</b>	<b>(60.9)%</b>
Income taxes	(3)	(4)	(13.6)%	(1)	(1)	61.4%
<b>Profit after tax</b>	<b>19</b>	<b>23</b>	<b>(15.1)%</b>	<b>2</b>	<b>7</b>	<b>(75.8)%</b>
Total assets	1,983	2,170	(8.6)%	1,983	1,990	(0.3)%
Loans and advances to customers	1,259	1,358	(7.3)%	1,259	1,307	(3.6)%
hereof corporate %	39.5%	42.8%	(3.2) PP	39.5%	41.7%	(2.2) PP
hereof retail %	59.8%	56.2%	3.6 PP	59.8%	57.6%	2.2 PP
hereof foreign currency %	73.5%	74.2%	(0.7) PP	73.5%	74.7%	(1.2) PP
Deposits from customers	1,526	1,660	(8.0)%	1,526	1,521	0.4%
Loan/deposit ratio	82.5%	81.8%	0.7 PP	82.5%	85.9%	(3.4) PP
Return on equity before tax	9.6%	11.1%	(1.6) PP	4.8%	12.1%	(7.3) PP
Return on equity after tax	8.1%	9.5%	(1.4) PP	2.6%	10.8%	(8.2) PP
Cost/income ratio	60.1%	57.7%	2.5 PP	68.3%	56.7%	11.6 PP
Number of employees as of reporting date	1,561	1,569	(0.5)%	1,561	1,558	0.2%
Business outlets	98	98	0.0%	98	98	0.0%
Number of customers	496,107	591,507	(16.1)%	496,107	489,483	1.4%

## Bulgaria

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	136	168	(18.7)%	33	30	10.1%
Net fee and commission income	37	37	0.2%	10	10	1.1%
Net trading income	5	7	(26.5)%	1	2	(18.0)%
Other net operating income	(1)	1	-	0	0	-
<b>Operating income</b>	<b>178</b>	<b>213</b>	<b>(16.3)%</b>	<b>44</b>	<b>42</b>	<b>5.7%</b>
General administrative expenses	(93)	(98)	(5.1)%	(24)	(23)	6.1%
<b>Operating result</b>	<b>85</b>	<b>115</b>	<b>(25.9)%</b>	<b>20</b>	<b>19</b>	<b>5.3%</b>
Net provisioning for impairment losses	(76)	(79)	(4.4)%	(24)	(22)	8.9%
Other results	1	0	49.9%	0	0	-
<b>Profit/loss before tax</b>	<b>11</b>	<b>37</b>	<b>(71.4)%</b>	<b>(4)</b>	<b>(3)</b>	<b>33.9%</b>
Income taxes	0	(3)	(94.5)%	1	1	33.2%
<b>Profit/loss after tax</b>	<b>10</b>	<b>34</b>	<b>(69.4)%</b>	<b>(3)</b>	<b>(2)</b>	<b>34.1%</b>
Total assets	3,486	3,681	(5.3)%	3,486	3,581	(2.7)%
Loans and advances to customers	2,883	2,974	(3.1)%	2,883	2,893	(0.4)%
hereof corporate %	45.9%	44.2%	1.7 PP	45.9%	45.5%	0.4 PP
hereof retail %	53.5%	55.3%	(1.8) PP	53.5%	53.9%	(0.4) PP
hereof foreign currency %	75.0%	78.3%	(3.3) PP	75.0%	75.6%	(0.6) PP
Deposits from customers	2,156	2,171	(0.7)%	2,156	2,227	(3.2)%
Loan/deposit ratio	133.7%	137.0%	(3.3) PP	133.7%	129.9%	3.8 PP
Return on equity before tax	2.2%	7.5%	(5.4) PP	-	-	-
Return on equity after tax	2.1%	6.9%	(4.8) PP	-	-	-
Cost/income ratio	52.1%	45.9%	6.2 PP	54.3%	54.1%	0.2 PP
Number of employees as of reporting date	3,119	3,271	(4.6)%	3,119	3,136	(0.5)%
Business outlets	183	187	(2.1)%	183	184	(0.5)%
Number of customers	791,751	775,580	2.1%	791,751	786,863	0.6%

## Croatia

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	152	175	(13.2)%	38	36	5.7%
Net fee and commission income	57	66	(13.8)%	13	16	(16.5)%
Net trading income	18	1	>500.0%	0	5	(99.4)%
Other net operating income	28	26	8.7%	6	7	(18.8)%
<b>Operating income</b>	<b>255</b>	<b>268</b>	<b>(4.7)%</b>	<b>57</b>	<b>64</b>	<b>(10.8)%</b>
General administrative expenses	(137)	(151)	(9.4)%	(33)	(35)	(5.5)%
<b>Operating result</b>	<b>119</b>	<b>117</b>	<b>1.4%</b>	<b>25</b>	<b>30</b>	<b>(16.9)%</b>
Net provisioning for impairment losses	(52)	(52)	(1.0)%	(18)	(12)	54.4%
Other results	(10)	(13)	(20.6)%	(5)	(4)	25.9%
<b>Profit before tax</b>	<b>56</b>	<b>52</b>	<b>9.2%</b>	<b>2</b>	<b>15</b>	<b>(84.0)%</b>
Income taxes	(11)	(10)	12.2%	(1)	(3)	(76.8)%
<b>Profit after tax</b>	<b>45</b>	<b>42</b>	<b>8.5%</b>	<b>2</b>	<b>12</b>	<b>(85.7)%</b>
Total assets	5,097	5,465	(6.7)%	5,097	5,293	(3.7)%
Loans and advances to customers	3,525	3,830	(8.0)%	3,525	3,694	(4.6)%
hereof corporate %	39.7%	39.9%	(0.2) PP	39.7%	41.2%	(1.5) PP
hereof retail %	49.4%	48.6%	0.8 PP	49.4%	48.2%	1.2 PP
hereof foreign currency %	61.2%	67.4%	(6.2) PP	61.2%	64.3%	(3.1) PP
Deposits from customers	3,040	3,121	(2.6)%	3,040	3,159	(3.8)%
Loan/deposit ratio	116.0%	122.7%	(6.7) PP	116.0%	117.0%	(1.0) PP
Return on equity before tax	7.7%	6.6%	1.1 PP	1.3%	7.7%	(6.4) PP
Return on equity after tax	6.2%	5.3%	0.9 PP	0.9%	6.2%	(5.3) PP
Cost/income ratio	53.5%	56.3%	(2.8) PP	57.0%	53.8%	3.2 PP
Number of employees as of reporting date	2,066	2,083	(0.8)%	2,066	2,056	0.5%
Business outlets	79	81	(2.5)%	79	79	0.0%
Number of customers	479,399	538,817	(11.0)%	479,399	482,265	(0.6)%

## Kosovo

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	38	39	(1.8)%	9	9	(4.8)%
Net fee and commission income	8	8	(0.2)%	2	2	(12.3)%
Net trading income	0	0	>500.0%	0	0	(53.1)%
Other net operating income	0	0	>500.0%	0	0	(16.8)%
<b>Operating income</b>	<b>46</b>	<b>47</b>	<b>(1.6)%</b>	<b>11</b>	<b>12</b>	<b>(6.2)%</b>
General administrative expenses	(27)	(26)	1.0%	(7)	(6)	11.5%
<b>Operating result</b>	<b>19</b>	<b>20</b>	<b>(5.1)%</b>	<b>4</b>	<b>5</b>	<b>(28.1)%</b>
Net provisioning for impairment losses	(5)	(6)	(19.4)%	(1)	(1)	(38.3)%
Other results	0	(1)	(86.8)%	0	0	(11.8)%
<b>Profit before tax</b>	<b>15</b>	<b>14</b>	<b>4.0%</b>	<b>3</b>	<b>4</b>	<b>(26.8)%</b>
Income taxes	(2)	(1)	14.8%	0	0	(28.9)%
<b>Profit after tax</b>	<b>13</b>	<b>13</b>	<b>2.8%</b>	<b>3</b>	<b>4</b>	<b>(26.5)%</b>
Total assets	629	680	(7.6)%	629	649	(3.1)%
Loans and advances to customers	428	428	0.0%	428	427	0.4%
hereof corporate %	37.7%	33.8%	3.8 PP	37.7%	36.2%	1.4 PP
hereof retail %	62.3%	66.2%	(3.8) PP	62.3%	63.8%	(1.4) PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	514	557	(7.8)%	514	524	(2.0)%
Loan/deposit ratio	83.3%	76.9%	6.5 PP	83.3%	81.4%	1.9 PP
Return on equity before tax	16.8%	15.7%	1.1 PP	13.3%	18.2%	(4.9) PP
Return on equity after tax	14.9%	14.1%	0.8 PP	11.9%	16.2%	(4.3) PP
Cost/income ratio	57.9%	56.4%	1.5 PP	65.7%	55.2%	10.5 PP
Number of employees as of reporting date	688	720	(4.4)%	688	697	(1.3)%
Business outlets	52	54	(3.7)%	52	54	(3.7)%
Number of customers	273,486	252,343	8.4%	273,486	269,087	1.6%

## Romania

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	303	268	12.9%	73	71	3.8%
Net fee and commission income	143	179	(20.4)%	34	42	(20.4)%
Net trading income	9	15	(37.8)%	3	2	23.3%
Other net operating income	3	6	(55.6)%	1	1	30.9%
<b>Operating income</b>	<b>458</b>	<b>469</b>	<b>(2.4)%</b>	<b>111</b>	<b>116</b>	<b>(4.4)%</b>
General administrative expenses	(263)	(286)	(8.0)%	(70)	(66)	5.3%
<b>Operating result</b>	<b>194</b>	<b>182</b>	<b>6.5%</b>	<b>41</b>	<b>50</b>	<b>(17.3)%</b>
Net provisioning for impairment losses	(99)	(68)	45.0%	(25)	(25)	0.5%
Other results	6	(1)	-	0	2	(84.7)%
<b>Profit before tax</b>	<b>101</b>	<b>113</b>	<b>(10.4)%</b>	<b>17</b>	<b>27</b>	<b>(37.7)%</b>
Income taxes	(15)	(18)	(19.2)%	(3)	(4)	(23.6)%
<b>Profit after tax</b>	<b>86</b>	<b>94</b>	<b>(8.7)%</b>	<b>14</b>	<b>23</b>	<b>(40.0)%</b>
Total assets	5,982	6,359	(5.9)%	5,982	6,090	(1.8)%
Loans and advances to customers	4,226	4,428	(4.6)%	4,226	4,217	0.2%
hereof corporate %	35.3%	37.1%	(1.8) PP	35.3%	35.3%	0.0 PP
hereof retail %	61.9%	60.8%	1.1 PP	61.9%	62.0%	(0.1) PP
hereof foreign currency %	51.8%	52.1%	(0.2) PP	51.8%	56.9%	(5.0) PP
Deposits from customers	3,781	3,904	(3.1)%	3,781	3,813	(0.8)%
Loan/deposit ratio	111.8%	113.4%	(1.7) PP	111.8%	110.6%	1.2 PP
Return on equity before tax	20.5%	23.1%	(2.6) PP	13.3%	21.4%	(8.1) PP
Return on equity after tax	17.5%	19.3%	(1.8) PP	11.0%	18.4%	(7.4) PP
Cost/income ratio	57.6%	61.1%	(3.6) PP	62.8%	57.0%	5.8 PP
Number of employees as of reporting date	5,486	6,030	(9.0)%	5,486	5,660	(3.1)%
Business outlets	527	551	(4.4)%	527	530	(0.6)%
Number of customers	1,974,315	1,913,601	3.2%	1,974,315	1,955,123	1.0%

## Serbia

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	91	104	(13.3)%	24	21	14.1%
Net fee and commission income	35	35	0.3%	9	9	7.6%
Net trading income	1	3	(82.2)%	1	1	(8.1)%
Other net operating income	5	4	23.5%	1	2	(27.9)%
<b>Operating income</b>	<b>132</b>	<b>147</b>	<b>(10.6)%</b>	<b>36</b>	<b>33</b>	<b>9.4%</b>
General administrative expenses	(78)	(81)	(3.2)%	(22)	(19)	11.3%
<b>Operating result</b>	<b>53</b>	<b>66</b>	<b>(19.6)%</b>	<b>14</b>	<b>13</b>	<b>6.6%</b>
Net provisioning for impairment losses	(15)	(18)	(16.6)%	(6)	(2)	178.5%
Other results	13	6	115.9%	2	3	(19.5)%
<b>Profit before tax</b>	<b>51</b>	<b>54</b>	<b>(5.8)%</b>	<b>10</b>	<b>14</b>	<b>(27.7)%</b>
Income taxes	(4)	(4)	(9.1)%	0	(1)	(63.3)%
<b>Profit after tax</b>	<b>47</b>	<b>50</b>	<b>(5.5)%</b>	<b>9</b>	<b>12</b>	<b>(24.0)%</b>
Total assets	1,883	2,207	(14.7)%	1,883	1,975	(4.6)%
Loans and advances to customers	1,204	1,331	(9.5)%	1,204	1,280	(5.9)%
hereof corporate %	53.1%	53.8%	(0.7) PP	53.1%	55.9%	(2.8) PP
hereof retail %	44.4%	43.1%	1.3 PP	44.4%	41.2%	3.1 PP
hereof foreign currency %	66.6%	66.2%	0.4 PP	66.6%	67.7%	(1.0) PP
Deposits from customers	1,139	1,176	(3.2)%	1,139	1,165	(2.2)%
Loan/deposit ratio	105.7%	113.1%	(7.4) PP	105.7%	109.8%	(4.1) PP
Return on equity before tax	10.8%	11.0%	(0.2) PP	8.9%	12.5%	(3.5) PP
Return on equity after tax	10.0%	10.2%	(0.2) PP	8.5%	11.3%	(2.8) PP
Cost/income ratio	59.5%	54.9%	4.5 PP	60.2%	59.2%	1.1 PP
Number of employees as of reporting date	1,769	1,765	0.2%	1,769	1,776	(0.4)%
Business outlets	85	85	0.0%	85	85	0.0%
Number of customers	550,790	508,503	8.3%	550,790	526,210	4.7%

## Russia

Profit before tax in Russia increased 38 per cent to € 599 million due to considerable improvement in operating income. Although general administrative expenses rose, productivity improved continuously, leading to a further reduction of the cost/income ratio of 10.6 percentage points to 46.5 per cent year-on-year. Return on equity before tax also increased 5.1 percentage points to 39.2 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	1,098	853	28.7%	264	279	(5.4)%
General administrative expenses	(511)	(488)	4.8%	(151)	(122)	23.2%
<b>Operating result</b>	<b>587</b>	<b>366</b>	<b>60.6%</b>	<b>113</b>	<b>157</b>	<b>(27.7)%</b>
Net provisioning for impairment losses	16	42	(62.1)%	2	(1)	-
Other results	(5)	26	-	(3)	(3)	(0.3)%
<b>Profit before tax</b>	<b>599</b>	<b>434</b>	<b>38.0%</b>	<b>113</b>	<b>153</b>	<b>(25.8)%</b>
Total assets	15,635	14,218	10.0%	15,635	15,443	1.2%
Net interest margin (average interest-bearing assets)	5.29%	5.18%	0.11 PP	5.45%	4.97%	0.48 PP
<b>Return on equity before tax</b>	<b>39.2%</b>	<b>34.0%</b>	<b>5.1 PP</b>	<b>29.9%</b>	<b>40.3%</b>	<b>(10.4) PP</b>

### Operating income

Net interest income in Russia rose 27 per cent or € 159 million to € 749 million year-on-year. This growth stemmed from an expansion of loans to private individuals and to large corporate customers since the start of 2012, as well as from considerably higher interest income from derivatives, which increased to € 130 million due to larger transaction volumes. These derivatives were concluded to hedge exposures related to loans denominated in foreign currencies. The segment reported a year-on-year net interest margin increase of 11 basis points to 5.29 per cent. Total assets improved also 10 per cent to € 15.6 billion. Credit risk-weighted assets decreased 3 per cent to € 10.2 billion.

Compared to 2011, the segment's net fee and commission income improved 20 per cent or € 47 million to € 285 million. Income from payment transfer business was 23 per cent higher than the previous year's figure and - with € 102 million - once again provided the largest contribution to the segment's net fee and commission income. Income from foreign currency, notes/coins and precious metals business as well as net income from loan and guarantee business contributed a further € 60 million and € 76 million, respectively.

Net trading income was up 82 per cent year-on-year to € 69 million. Net income from currency-based transactions improved by € 64 million to € 57 million, primarily due to revaluation gains on currency swaps held for proprietary trading as well as on foreign currency positions. In contrast, net income from interest-based transactions declined € 33 million to € 12 million due to a reduced portfolio in the trading book.

The segment's other net operating income improved from minus € 13 million to minus € 5 million, primarily due to the release of provisions for legal disputes that were successfully concluded during the reporting period.

### General administrative expenses

The segment's general administrative expenses climbed 5 per cent to € 511 million. The increase was attributable primarily to higher staff expenses as a result of salary increases at the end of the previous year, which could not be entirely offset by a simultaneous 4 per cent decrease in the total number of employees. Deposit insurance fees were also higher, as were legal, advisory and consulting expenses. In contrast, depreciation decreased due to higher impairment in the previous year's period relating to a property. Compared to 2011, the number of business outlets declined slightly by 5 to 186 locations. The cost/income ratio improved 10.6 percentage points to 46.5 per cent year-on-year due to a significant increase in operating income.

## Net provisioning for impairment losses

Net provisions for impairment losses again reported a net release, which - at € 16 million - was € 26 million lower than the previous year's figure, however. Net allocations to individual loan loss provisions - primarily established in connection with private individuals - totaled € 2 million, while the previous year's net release had been € 9 million. A net release of € 15 million was posted in portfolio-based loan loss provisions because of an increase in the quality of the loan portfolio; this improvement was due to the fact that new business was primarily concluded with customers with a better rating, and old loans with a poorer customer rating matured. The share of non-performing loans in the loan portfolio decreased 0.7 percentage points to 5.0 per cent year-on-year.

## Other results and taxes

Compared to the same period last year, other results in the Russia segment fell from plus € 26 million to minus € 5 million. The primary cause of this decrease was lower net income from derivatives, which declined from plus € 27 million to minus € 9 million mainly due to valuation losses on interest rate swap transactions concluded to mitigate interest rate structure risk. Furthermore, the termination of a hedging transaction as part of hedge accounting impacted net income negatively. Net income from financial investments - which primarily stemmed from the sale and valuation of securities - increased to € 4 million.

Income taxes in the segment increased to € 126 million, while the tax rate declined 5 percentage points to 21 per cent.



## Russia

The table below provides an overview of the country results for Russia. Any discrepancies with regard to the values specified for the Russia segment are the result of equity being allocated differently: The income figures in the country overview are based on balance sheet equity; at segment level, the equity used in the calculation is based on actual equity used.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	749	590	26.9%	198	189	4.8%
Net fee and commission income	285	238	20.0%	74	76	(2.8)%
Net trading income	69	38	81.7%	5	9	(47.3)%
Other net operating income	(5)	(14)	(64.2)%	(12)	5	-
<b>Operating income</b>	<b>1,098</b>	<b>852</b>	<b>28.8%</b>	<b>264</b>	<b>279</b>	<b>(5.4)%</b>
General administrative expenses	(511)	(488)	4.8%	(151)	(122)	23.2%
<b>Operating result</b>	<b>587</b>	<b>365</b>	<b>61.0%</b>	<b>113</b>	<b>157</b>	<b>(27.7)%</b>
Net provisioning for impairment losses	16	42	(62.1)%	2	(1)	-
Other results	(5)	27	-	(3)	(3)	(0.3)%
<b>Profit before tax</b>	<b>599</b>	<b>434</b>	<b>38.0%</b>	<b>113</b>	<b>153</b>	<b>(25.8)%</b>
Income taxes	(126)	(112)	12.1%	(23)	(26)	(10.0)%
<b>Profit after tax</b>	<b>473</b>	<b>322</b>	<b>47.1%</b>	<b>90</b>	<b>127</b>	<b>(29.0)%</b>
Total assets	15,635	14,476	8.0%	15,635	15,443	1.2%
Loans and advances to customers	9,669	9,073	6.6%	9,669	9,113	6.1%
hereof corporate %	64.1%	70.2%	(6.1) PP	64.1%	64.5%	(0.4) PP
hereof retail %	35.9%	29.7%	6.2 PP	35.9%	35.5%	0.4 PP
hereof foreign currency %	44.2%	48.5%	(4.3) PP	44.2%	47.4%	(3.2) PP
Deposits from customers	9,609	9,320	3.1%	9,609	10,088	(4.7)%
Loan/deposit ratio	100.6%	97.3%	3.3 PP	100.6%	90.3%	10.3 PP
Return on equity before tax	31.9%	36.9%	(4.9) PP	22.8%	31.1%	(8.4) PP
Return on equity after tax	25.2%	27.3%	(2.1) PP	18.2%	25.9%	(7.8) PP
Cost/income ratio	46.5%	57.2%	(10.7) PP	57.0%	43.8%	13.2 PP
Number of employees as of reporting date	8,155	8,475	(3.8)%	8,155	8,018	1.7%
Business outlets	186	191	(2.6)%	186	193	(3.6)%
Number of customers	2,288,175	2,135,551	7.1%	2,288,175	2,216,261	3.2%

## CIS Other

In the CIS Other segment, profit before tax rose 2 per cent to € 108 million year-on-year. An increase in operating income and lower net provisioning for impairment losses had a positive effect. Additionally, financial reporting in Belarus has been adjusted since the fourth quarter of 2011 for at least three financial years due to the implementation of hyperinflation accounting. This led to a considerably lower negative impact (€ 16 million) on net income in the reporting period. The segment's return on equity before tax decreased slightly, by 1.5 percentage points to 13.7 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	602	584	3.1%	140	163	(14.4)%
General administrative expenses	(384)	(336)	14.3%	(106)	(96)	9.4%
<b>Operating result</b>	<b>218</b>	<b>248</b>	<b>(12.1)%</b>	<b>34</b>	<b>67</b>	<b>(48.8)%</b>
Net provisioning for impairment losses	(89)	(128)	(30.5)%	(13)	(26)	(49.2)%
Other results	(21)	(15)	45.5%	5	(14)	-
<b>Profit before tax</b>	<b>108</b>	<b>106</b>	<b>2.3%</b>	<b>26</b>	<b>27</b>	<b>(1.7)%</b>
Total assets	6,324	6,761	(6.5)%	6,324	6,356	(0.5)%
Net interest margin (average interest-bearing assets)	7.12%	6.77%	0.35 PP	6.96%	7.31%	(0.34) PP
<b>Return on equity before tax</b>	<b>13.7%</b>	<b>15.1%</b>	<b>(1.5) PP</b>	<b>13.5%</b>	<b>13.7%</b>	<b>(0.3) PP</b>

### Operating income

At € 418 million, net interest income in the segment remained virtually unchanged year-on-year. Net interest income in Ukraine increased 2 per cent despite higher expenses for customer deposits and lower interest income from securities. This was primarily helped by higher income from customer loans thanks to better margins on assets as well as the appreciation of the Ukrainian hryvnia. In contrast, net interest income in Belarus declined year-on-year due to an increase in interest expense for customer deposits. Total assets in the segment decreased 7 per cent to € 6.3 billion compared to the previous year. Net interest margin - significantly impacted by currency trends - improved 35 basis points to 7.12 per cent. Credit risk-weighted assets decreased 6 per cent to € 5.1 billion.

The segment's net fee and commission income increased 19 per cent to € 209 million year-on-year with significantly higher income from payment transfer business (€ 153 million) still representing the largest contribution. Ukraine and Belarus's income increase was attributable to a higher number of transactions, price adjustments had a further positive effect in Belarus. In addition, 2012 profit from the Ukrainian Processing Center increased 10 per cent to € 16 million. Net income from the foreign currency, notes/coins, and precious metals business was also higher year-on-year - rising 16 per cent to € 41 million - due to an adjustment in prices in Belarus and an increase in the total number of transactions as a result of currency market stabilization.

The segment's net trading income declined from minus € 1 million to minus € 19 million year-on-year. The decline included a drop in net income from currency-based transactions from plus € 5 million to minus € 21 million. A strategic currency position established in Belarus to hedge equity resulted in a valuation gain of only € 3 million in 2012 after a gain of € 77 million in the same period last year, a result of the unstable currency market and the devaluation of the Belarusian rouble. However, the negative impact on net trading income due to the application of hyperinflation accounting in Belarus totaled only € 21 million, whereas the initial application of this accounting standard in the comparable period had resulted in a loss of € 84 million. Income from interest-based transactions declined € 4 million to € 1 million year-on-year. This decrease was caused by lower income from the valuation of fixed-income securities in Ukraine.

The segment's other net operating income improved by € 2 million to minus € 5 million year-on-year due to several smaller expense and income items.

## General administrative expenses

General administrative expenses rose 14 per cent to € 384 million year-on-year. Staff expenses increased – despite a reduction in the number of employees – primarily due to the appreciation of the Ukrainian hryvnia. Depreciation increased as well, largely the result of IT investment in a new core banking system and impairments of € 7 million for decommissioned systems in Ukraine. In addition, the write-up of tangible fixed assets in Belarus due to high inflation led to a rise in depreciation. As a result of the increase in general administrative expenses and only minor improvement in operating income, the cost/income ratio rose 6.2 percentage points to 63.8 per cent.

## Net provisioning for impairment losses

Net provisioning for impairment losses in the region fell 31 per cent to € 89 million year-on-year. The decline in net allocations to individual loan loss provisions of € 53 million was caused primarily by an improvement in the portfolio quality with private individuals in Ukraine. As in the previous year, portfolio-based loan loss provisions reported a net release, but at € 21 million, this release was 40 per cent lower than in 2011. The net releases of portfolio-based loan loss provisions in Belarus were the result of a revised macroeconomic assessment and the corresponding adjustment to the underlying calculation parameters. The share of non-performing loans in the total loan portfolio was 28.2 per cent (down 1.4 percentage points year-on-year), still the highest amongst all segments.

## Other results and taxes

Other results declined from minus € 15 million to minus € 21 million year-on-year, primarily due to a decrease in net income from the valuation of financial investments. Valuation losses resulted from mainly the widening of spreads from the portfolio of fixed-income Ukrainian government bonds recognized at fair value.

Income taxes in the segment decreased to € 47 million, mainly on account of a lower tax rate in Belarus. The tax rate thus fell 5 percentage points to 44 per cent. Net profit after deduction of non-controlling interests rose 7 per cent to € 55 million.

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

## Belarus

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	65	68	(4.3)%	15	17	(9.6)%
Net fee and commission income	60	45	33.6%	16	16	1.1%
Net trading income	(26)	(6)	363.6%	(16)	(2)	>500.0%
Other net operating income	(3)	(1)	144.9%	(2)	0	>500.0%
<b>Operating income</b>	<b>95</b>	<b>105</b>	<b>(9.8)%</b>	<b>13</b>	<b>30</b>	<b>(58.1)%</b>
General administrative expenses	(67)	(54)	24.3%	(19)	(17)	11.4%
<b>Operating result</b>	<b>28</b>	<b>51</b>	<b>(46.0)%</b>	<b>(6)</b>	<b>13</b>	<b>-</b>
Net provisioning for impairment losses	18	(18)	-	20	(1)	-
Other results	0	0	(96.3)%	0	0	(42.9)%
<b>Profit before tax</b>	<b>46</b>	<b>33</b>	<b>38.8%</b>	<b>14</b>	<b>12</b>	<b>13.2%</b>
Income taxes	(20)	(28)	(26.7)%	(8)	(4)	81.3%
<b>Profit after tax</b>	<b>26</b>	<b>6</b>	<b>361.5%</b>	<b>6</b>	<b>8</b>	<b>(23.3)%</b>
Total assets	1,355	1,223	10.8%	1,355	1,331	1.8%
Loans and advances to customers	869	772	12.6%	869	789	10.2%
hereof corporate %	73.8%	72.2%	1.5 PP	73.8%	72.4%	1.3 PP
hereof retail %	26.2%	27.8%	(1.5) PP	26.2%	27.6%	(1.3) PP
hereof foreign currency %	70.9%	66.1%	4.8 PP	70.9%	73.4%	(2.5) PP
Deposits from customers	872	668	30.6%	872	850	2.6%
Loan/deposit ratio	99.6%	115.6%	(16.0) PP	99.6%	92.8%	6.9 PP
Return on equity before tax	25.8%	16.6%	9.2 PP	29.7%	26.5%	3.2 PP
Return on equity after tax	14.4%	2.8%	11.6 PP	13.1%	17.2%	(4.1) PP
Cost/income ratio	70.9%	51.4%	19.5 PP	150.1%	56.5%	93.6 PP
Number of employees as of reporting date	2,190	2,210	(0.9)%	2,190	2,168	1.0%
Business outlets	100	101	(1.0)%	100	100	0.0%
Number of customers	691,925	790,811	(12.5)%	691,925	685,846	0.9%

## Ukraine

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Net interest income	350	343	2.2%	84	89	(5.6)%
Net fee and commission income	150	131	14.5%	41	40	1.1%
Net trading income	7	6	9.2%	2	3	(37.6)%
Other net operating income	(2)	(5)	(61.3)%	(1)	0	>500.0%
<b>Operating income</b>	<b>505</b>	<b>475</b>	<b>6.3%</b>	<b>126</b>	<b>133</b>	<b>(4.7)%</b>
General administrative expenses	(316)	(281)	12.4%	(86)	(79)	9.0%
<b>Operating result</b>	<b>189</b>	<b>194</b>	<b>(2.5)%</b>	<b>40</b>	<b>54</b>	<b>(25.0)%</b>
Net provisioning for impairment losses	(107)	(108)	(1.2)%	(33)	(25)	36.0%
Other results	(22)	(15)	41.9%	5	(14)	-
<b>Profit before tax</b>	<b>60</b>	<b>70</b>	<b>(14.1)%</b>	<b>12</b>	<b>15</b>	<b>(18.2)%</b>
Income taxes	(27)	(24)	13.8%	(13)	(4)	206.4%
<b>Profit/loss after tax</b>	<b>33</b>	<b>47</b>	<b>(28.3)%</b>	<b>(1)</b>	<b>10</b>	<b>-</b>
Total assets	4,922	5,467	(10.0)%	4,922	4,978	(1.1)%
Loans and advances to customers	3,715	4,248	(12.6)%	3,715	3,932	(5.5)%
hereof corporate %	52.0%	51.3%	0.7 PP	52.0%	51.4%	0.6 PP
hereof retail %	48.0%	48.7%	(0.7) PP	48.0%	48.6%	(0.6) PP
hereof foreign currency %	51.6%	56.8%	(5.2) PP	51.6%	53.5%	(2.0) PP
Deposits from customers	2,646	2,631	0.5%	2,646	2,607	1.5%
Loan/deposit ratio	140.4%	161.5%	(21.0) PP	140.4%	150.8%	(10.4) PP
Return on equity before tax	7.5%	9.3%	(1.8) PP	5.8%	6.8%	(1.0) PP
Return on equity after tax	4.1%	6.2%	(2.0) PP	-	4.9%	-
Cost/income ratio	62.6%	59.2%	3.4 PP	68.2%	59.6%	8.6 PP
Number of employees as of reporting date	13,849	15,267	(9.3)%	13,849	14,493	(4.4)%
Business outlets	825	909	(9.2)%	825	826	(0.1)%
Number of customers	3,029,424	3,380,743	(10.4)%	3,029,424	3,033,169	(0.1)%

## Group Corporates

Profit before tax in the Group Corporates segment declined 15 per cent year-on-year to € 319 million. The main reason for this decline was lower operating income combined with higher general administrative expenses. The segment's return on equity before tax decreased 4.4 percentage points to 18.0 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	595	634	(6.2)%	142	137	3.3%
General administrative expenses	(177)	(141)	25.6%	(47)	(49)	(3.3)%
<b>Operating result</b>	<b>418</b>	<b>493</b>	<b>(15.3)%</b>	<b>95</b>	<b>89</b>	<b>6.9%</b>
Net provisioning for impairment losses	(113)	(116)	(2.1)%	(61)	(31)	95.6%
Other results	14	(4)	-	(3)	16	-
<b>Profit before tax</b>	<b>319</b>	<b>374</b>	<b>(14.7)%</b>	<b>31</b>	<b>74</b>	<b>(57.9)%</b>
Total assets	18,997	22,843	(16.8)%	18,997	20,293	(6.4)%
Net interest margin (average interest-bearing assets)	1.93%	1.97%	(0.04) PP	1.96%	1.83%	0.13 PP
<b>Return on equity before tax</b>	<b>18.0%</b>	<b>22.4%</b>	<b>(4.4) PP</b>	<b>35.5%</b>	<b>16.9%</b>	<b>18.7 PP</b>

### Operating income

Net interest income for the segment declined 6 per cent to € 404 million versus the previous year. Despite lower lending volumes and an increase in margins on assets, net interest income remained relatively unchanged at Group head office. In the Corporate Customers profit center (Austrian and multinational corporate customers managed out of Vienna) it also remained unchanged at € 166 million. In the Network Corporate Customers & Support profit center (international corporate customers with a CEE relationship) net interest income even improved 9 per cent to € 76 million and at the Maltese subsidiary by 15 per cent to € 23 million, aided by improved margins and lower refinancing costs. However, business outlets in Asia posted a considerable decline due to lower lending volumes. The segment's net interest margin declined 4 basis points to 1.93 per cent. Lower loan volumes resulted in a decrease in total assets of 17 per cent or € 3.8 billion year-on-year to € 19.0 billion. Credit risk-weighted assets also decreased 16 per cent to € 13.2 billion.

Net fee and commission income decreased 8 per cent or € 15 million to € 163 million in 2012. However, income generated at Group head office remained at the same level as in the comparable period. This result was attributable predominantly to lead-arranger activities associated with bond issuance by Austrian and international customers, as well as to income from the loan and project financing business, which was particularly strong. At the business outlets in Asia and the USA, in contrast, net fee and commission income declined.

The segment's net trading income decreased 23 per cent to € 16 million. On the one hand, the profit centers at Group head office posted higher valuation gains on currency and interest-based transactions with financial instruments. Likewise, at the branch in Malaysia, valuation gains on a stock call option had a considerably positive impact. On the other hand, value adjustments on derivatives at Group head office had an adverse effect on net trading income.

The segment's other net operating income doubled year-on-year to € 12 million due to the release of other provisions in connection with a legal dispute at the Group unit in Malta.

## General administrative expenses

The segment's general administrative expenses increased 26 per cent to € 177 million, mainly the result of an optimization of the cost allocation process at Group head office in 2012, as well as of an increase in the overhead costs allocated to the segment. The Group Corporates segment consisted of eight business outlets at the end of the reporting period. The cost/income ratio increased 7.6 percentage points to 29.8 per cent.

## Net provisioning for impairment losses

Net provisioning for impairment losses declined 2 per cent to € 113 million during the reporting period, primarily due to lower individual loan loss provisions at Group head office. The share of non-performing loans in the segment's loan portfolio increased 1.8 percentage points to 4.8 per cent.

## Other results and taxes

Compared to the same period last year, other results in the segment improved from minus € 4 million to plus € 14 million. Income from financial investments increased because of a one-off effect resulting from the sale of shares that had risen considerably in value; these shares had originally been obtained as collateral in connection with a loan agreement. Furthermore, mark-to-market valuation gains on corporate bonds held at Group head office as well as securities of the Maltese subsidiary had a positive effect.

Income taxes declined 6 per cent to € 72 million year-on-year, while the tax rate rose 2 percentage points to 22 per cent.

## Group Markets

Profit before tax in the Group Markets segment fell 3 per cent to € 258 million compared to the previous year. This decline was caused by a reduction in operating income, although an improvement in net income from financial investments offset the reduction considerably. Return on equity before tax rose 5.1 percentage points to 24.6 per cent.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	355	548	(35.1)%	80	88	(8.6)%
General administrative expenses	(256)	(264)	(2.7)%	(64)	(65)	(1.4)%
<b>Operating result</b>	<b>99</b>	<b>284</b>	<b>(65.2)%</b>	<b>16</b>	<b>23</b>	<b>(28.9)%</b>
Net provisioning for impairment losses	(18)	(14)	31.2%	1	0	317.4%
Other results	177	(4)	-	3	20	(85.6)%
<b>Profit before tax</b>	<b>258</b>	<b>266</b>	<b>(3.0)%</b>	<b>20</b>	<b>44</b>	<b>(53.0)%</b>
Total assets	20,243	25,732	(21.3)%	20,243	20,068	0.9%
Net interest margin (average interest-bearing assets)	0.85%	1.00%	(0.15) PP	0.81%	1.06%	(0.26) PP
<b>Return on equity before tax</b>	<b>24.6%</b>	<b>19.5%</b>	<b>5.1 PP</b>	<b>7.4%</b>	<b>14.2%</b>	<b>(6.7) PP</b>

### Operating income

The segment's net interest income fell 31 per cent to € 159 million year-on-year, mainly the result of the maturity and sale of portions of the so-called high-quality securities portfolio. Consequently, the portfolio's income dropped € 64 million to € 17 million compared to the previous year. Moreover, further reduction in business volume in highly liquid bonds from financial institutions as well as continued cautious risk positioning also weakened net interest income. The segment's total assets contracted 21 per cent year-on-year to € 20.2 billion. Net interest margin decreased 15 basis points to 0.85 per cent, credit risk-weighted assets also decreased 35 per cent to € 3.3 billion.

Net fee and commission income for the segment fell 8 per cent to € 105 million year-on-year. Net fee and commission income of the Financial Institutions profit center remained unchanged thanks to solid net income from services in cash management and guarantees in the export/foreign trade business. Fee and commission income of the Capital Markets and the Credit Investments profit centers fell, primarily because of lower business volume. The Private Banking and Asset Management division of the subsidiary Kathrein Privatbank AG in Vienna provided a stable contribution of € 12 million from its securities business, while net fee and commission income of Raiffeisen Centrobank Group declined 18 per cent to € 14 million. This decrease resulted from lower income from advisory services provided to corporate customers for primary market transactions as well as from the mergers & acquisitions business.

The segment's net trading income halved to € 78 million in 2012. At € 50 million, Raiffeisen Centrobank made a significant contribution which was also 11 per cent higher than in the previous year. It was generated primarily from the interest-based transactions related to the valuation of zero-coupon bonds and other placements used to hedge open risk positions in connection with issued structured products. Further contributions to net trading income came from valuation gains on issued certificates and structured bonds in equity and index-related transactions. Group head office's contribution from proprietary trading - mainly in fixed-income securities but also with structured products - was significantly lower than in the comparable period last year due to a reduction in risk positions. The valuation of capital guarantees issued resulted in a valuation loss of € 24 million, following a valuation gain of € 72 million in 2011.

Other net operating income fell by half to € 13 million year-on-year. Raiffeisen Centrobank Group's income, which was generated predominantly from commodity trading from special companies in the USA and Germany, declined 13 per cent to € 8 million. In 2011, the segment's other net operating income had also included € 10 million from F.J. Elsner Trading GmbH, which has meanwhile been reclassified into the Corporate Center segment.



## General administrative expenses

General administrative expenses of the Group Markets segment declined 3 per cent to € 256 million year-on-year, primarily due to lower business volume that was used, among other factors, for the cost allocation at Group head office. The decrease in operating income led to an increase of 24.0 percentage points to 72.1 per cent in the cost/income ratio.

## Net provisioning for impairment losses

Net provisioning for impairment losses increased 31 per cent to € 18 million year-on-year, mainly due to higher net allocations to individual loan loss provisions in connection with financial institutions at Group head office. Non-performing loans represented 1.2 per cent of the segment's total credit exposure.

## Other results and taxes

Compared to the same period last year, the segment's other results improved from minus € 4 million to € 177 million. In particular, net income from financial investments increased significantly due to the previously mentioned sale of the high-quality securities portfolio at Group head office as well as the sale of other financial instruments. Furthermore, valuation gains on highly liquid securities primarily from Western European banks had a positive effect, resulting from narrowing margins caused by ECB initiatives. Net income from derivatives edged slightly lower year-on-year, mainly the result of close-out payments in connection with the sale of portions of the securities portfolio at Group head office. Internal hedging transactions between profit centers Capital Markets and Treasury of Group head office, which were initiated to hedge interest rate structure and manage interest rate risk of the securities portfolio, resulted in costs of € 57 million in this segment. The corresponding gain was recorded in the Corporate Center segment.

Income taxes declined to € 68 million, while the tax rate dropped considerably to 26 per cent.

## Corporate Center

In the Corporate Center segment, net loss before tax increased € 335 million to € 399 million year-on-year due to declining other results and the absence of net loan loss provisions releases.

in € million	2012	2011	Change	Q4/2012	Q3/2012	Change
Operating income	467	356	31.3%	2	5	(61.6)%
General administrative expenses	(328)	(318)	3.3%	(95)	(81)	16.8%
<b>Operating result</b>	<b>138</b>	<b>38</b>	<b>265.9%</b>	<b>(93)</b>	<b>(77)</b>	<b>21.7%</b>
Net provisioning for impairment losses	(1)	55	-	(4)	0	-
Other results	(537)	(158)	240.8%	(458)	(98)	365.3%
<b>Loss before tax</b>	<b>(399)</b>	<b>(65)</b>	<b>&gt;500.0%</b>	<b>(555)</b>	<b>(175)</b>	<b>217.6%</b>
Total assets	47,341	53,835	(12.1)%	47,341	59,018	(19.8)%
Net interest margin (average interest-bearing assets)	-	-	-	-	-	-
<b>Return on equity before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Operating income

The segment's net interest income climbed 38 per cent year-on-year to € 501 million. This increase in net interest income was achieved despite higher costs for own issues and by using a market-based internal financing rate to charge Group units for liquidity costs. The decline in income from internal financing within the RBI network resulted in a somewhat lower intra-Group dividend income year-on-year. The € 38 million in interest expense for RBI AG's subordinated capital is also reported in this segment. The segment's assets decreased 12 per cent to € 47.3 billion year-on-year, mainly due to the decrease in liquidity reserves. Credit risk-weighted assets fell 3 per cent to € 19.0 billion.

Net fee and commission income improved 36 per cent year-on-year to minus € 42 million. This improvement was attributable especially to lower commission payments by Group head office for country risk insurance policies in connection with financing abroad.

The segment's net trading income dropped € 73 million to minus € 36 million as a result of valuation losses on various foreign currency and interest rate-based financial instruments held for management purposes. This also includes lower net income from valuation of cross-currency interest rate swaps that were concluded to hedge the currency exposure of RBI's financing structure, primarily in connection with US dollar transactions.

The segment's other net operating income increased from € 20 million to € 44 million. The increase is related to several smaller expense and income items as well as to a positive contribution of € 8 million from commodity trading by F.J. Elsner Trading GmbH. The bank levy had a negative effect of € 103 million on profit, € 21 million more than in the previous year.

### General administrative expenses

General administrative expenses increased 3 per cent or € 11 million to € 328 million, primarily because of a reduction in the expenses charged to other functional segments as well as higher IT and office space expenses at Group head office resulting from operational changes. The only business outlet reported in this segment is Group head office.

### Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role in this segment due to the intra-Group nature of its business activities. However, there was one net allocation totaling € 1 million; in the comparable period last year, the conversion of a loan had led to a net release of € 60 million.

## Other results and taxes

The segment's other results fell € 380 million to minus € 537 million year-on-year. Net income from financial investments was markedly negative at minus € 404 million due to the impairment of Group-internal equity participations. Furthermore, valuation losses on own issues (€ 145 million) and lower valuation of other derivatives had a negative effect on net income. However, net income was positively impacted by € 57 million from interest rate hedging transactions concluded with the Capital Markets profit center (Group Markets segment) as well as from a € 113 million net gain from the repurchase of a portion of hybrid capital.

In the reporting year, tax income of € 132 million was posted in this segment, higher year-on-year. This increase was primarily attributable to the segment's valuation results particularly relating to liabilities measured at fair value.

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# Consolidated financial statements

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# Statement of comprehensive income

## Income statement

€ 000	Notes	2012	2011	Change
Interest income		6,478,884	6,614,417	(2.0)%
Current income from associates		50	89	(43.2)%
Interest expenses		(3,006,780)	(2,947,356)	2.0%
<b>Net interest income</b>	[2]	<b>3,472,155</b>	<b>3,667,150</b>	<b>(5.3)%</b>
Net provisioning for impairment losses	[3]	(1,008,823)	(1,063,551)	(5.1)%
<b>Net interest income after provisioning</b>		<b>2,463,332</b>	<b>2,603,599</b>	<b>(5.4)%</b>
Fee and commission income		1,869,194	1,795,257	4.1%
Fee and commission expense		(352,795)	(305,330)	15.5%
<b>Net fee and commission income</b>	[4]	<b>1,516,399</b>	<b>1,489,927</b>	<b>1.8%</b>
Net trading income	[5]	214,686	363,261	(40.9)%
Income from derivatives and liabilities	[6]	(127,462)	412,828	-
Net income from financial investments	[7]	318,410	(141,077)	-
General administrative expenses	[8]	(3,263,850)	(3,120,440)	4.6%
Other net operating income	[9]	(102,035)	(232,167)	(56.1)%
Net income from disposal of group assets	[10]	12,137	(2,575)	-
<b>Profit before tax</b>		<b>1,031,616</b>	<b>1,373,355</b>	<b>(24.9)%</b>
Income taxes	[11]	(283,933)	(399,243)	(28.9)%
<b>Profit after tax</b>		<b>747,683</b>	<b>974,113</b>	<b>(23.2)%</b>
Profit attributable to non-controlling interests		(22,301)	(6,449)	245.8%
<b>Consolidated profit</b>		<b>725,381</b>	<b>967,663</b>	<b>(25.0)%</b>

## Transition to total comprehensive income

€ 000	Total		Group equity		Non-controlling interests	
	2012	2011	2012	2011	2012	2011
<b>Consolidated profit</b>	<b>747,683</b>	<b>974,113</b>	<b>725,381</b>	<b>967,663</b>	<b>22,301</b>	<b>6,449</b>
Exchange differences	167,401	(349,606)	150,303	(302,230)	17,097	(47,376)
hereof unrealized net gains (losses) of the period	167,401	(349,606)	150,303	(302,230)	17,097	(47,376)
Capital hedge	225	31,321	225	31,321	0	0
Hyperinflation	33,995	95,152	29,827	83,486	4,168	11,666
Net gains (losses) on derivatives hedging fluctuating cash flows	(1,245)	(45,951)	(1,245)	(45,951)	0	0
hereof unrealized net gains (losses) of the period	(1,245)	(46,904)	(1,245)	(46,904)	0	0
hereof net gains (losses) reclassified to income statement	0	953	0	953	0	0
Changes in equity of companies valued at equity	5	39	5	39	0	0
Net gains (losses) on financial assets available-for-sale	(147,375)	150,824	(147,375)	150,824	0	0
hereof unrealized net gains (losses) of the period	15,670	153,967	15,670	153,967	0	0
hereof net gains (losses) reclassified to income statement	(163,045)	(3,143)	(163,045)	(3,143)	0	0
Deferred taxes on income and expenses directly recognized in equity	37,620	(44,556)	37,620	(44,556)	0	0
hereof unrealized net gains (losses) of the period	(3,142)	(45,342)	(3,142)	(45,342)	0	0
hereof net gains (losses) reclassified to income statement	40,761	786	40,761	786	0	0
<b>Other comprehensive income</b>	<b>90,626</b>	<b>(162,777)</b>	<b>69,361</b>	<b>(127,066)</b>	<b>21,265</b>	<b>(35,711)</b>
<b>Total comprehensive income</b>	<b>838,309</b>	<b>811,336</b>	<b>794,743</b>	<b>840,597</b>	<b>43,567</b>	<b>(29,262)</b>

## Other comprehensive income

Capital hedge comprises hedges for investments in economically independent sub-units.

The item fair value reserve (available-for-sale financial assets) contains net valuations of financial investments.

Due to changed intentions regarding a part of the held-to-maturity portfolio in 2011, a volume of € 3,165,000 thousand of held-to-maturity securities was reclassified as available-for-sale. This reclassification caused an increase in other comprehensive income of € 116,917 thousand (after taxes) in 2011. In 2012, this portfolio was sold and € 122,273 thousand (after taxes) was reclassified to income statement.

In 2012, € 33,995 thousand (2011: € 95,152 thousand) was recognized directly in other comprehensive income through the application of IAS 29 (hyperinflation accounting) in Belarus.

Due to a change in hedging strategy cash flow hedging of RBI AG was ended in 2011 and replaced by fair value portfolio hedges.

## Retained earnings

€ 000	Exchange differences	Capital hedge	Cash flow hedge	Fair value reserve (afs financial assets)	Hyper-inflation	Deferred taxes
<b>As of 1/1/2011</b>	<b>(1,156,344)</b>	<b>41,371</b>	<b>45,894</b>	<b>48,146</b>	<b>0</b>	<b>301,723</b>
Unrealized net gains (losses) of the period	(302,230)	31,321	(46,904)	153,967	83,486	(44,556)
Net gains (losses) reclassified to income statement	0	0	953	(3,143)	0	0
<b>As of 31/12/2011</b>	<b>(1,458,574)</b>	<b>72,692</b>	<b>(57)</b>	<b>198,970</b>	<b>83,486</b>	<b>257,167</b>
Unrealized net gains (losses) of the period	150,303	225	(1,245)	15,670	29,827	(3,142)
Net gains (losses) reclassified to income statement	0	0	0	(163,045)	0	40,761
<b>As of 31/12/2012</b>	<b>(1,308,271)</b>	<b>72,917</b>	<b>(1,302)</b>	<b>51,595</b>	<b>113,314</b>	<b>294,787</b>

## Earnings per share

In €	Notes	2012	2011	Change
Earnings per share	[12]	2.70	3.95	(1.25)

Earnings per share are obtained by dividing adjusted consolidated profit (less dividend for participation capital) by the average number of common shares outstanding. In the fiscal year 2012, the number of common shares outstanding was 194,859 thousand compared with 194,552 thousand in the previous year.

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

## Quarterly results

€ 000	Q1/2012	Q2/2012	Q3/2012	Q4/2012
Net interest income	875,298	886,332	834,290	876,235
Net provisioning for impairment losses	(152,948)	(246,912)	(223,511)	(385,451)
<b>Net interest income after provisioning</b>	<b>722,349</b>	<b>639,420</b>	<b>610,780</b>	<b>490,783</b>
Net fee and commission income	345,880	374,759	399,746	396,014
Net trading income	82,006	84,910	53,571	(5,801)
Income from derivatives and liabilities	34,528	(54,641)	(87,791)	(19,559)
Net income from financial investments	261,390	(8,117)	45,957	19,180
General administrative expenses	(753,298)	(764,403)	(818,484)	(927,665)
Other net operating income	(7,951)	(27,818)	(16,036)	(50,231)
Net income from disposal of group assets	(65)	(1,514)	27	13,690
<b>Profit before tax</b>	<b>684,839</b>	<b>242,596</b>	<b>187,771</b>	<b>(83,589)</b>
Income taxes	(110,922)	(82,866)	(32,391)	(57,754)
<b>Profit after tax</b>	<b>573,917</b>	<b>159,730</b>	<b>155,379</b>	<b>(141,343)</b>
Profit attributable to non-controlling interests	(32,827)	108	(13,922)	24,340
<b>Consolidated profit</b>	<b>541,090</b>	<b>159,837</b>	<b>141,457</b>	<b>(117,003)</b>

€ 000	Q1/2011	Q2/2011	Q3/2011	Q4/2011
Net interest income	884,252	896,934	942,574	943,390
Net provisioning for impairment losses	(208,197)	(196,820)	(376,587)	(281,947)
<b>Net interest income after provisioning</b>	<b>676,055</b>	<b>700,114</b>	<b>565,988</b>	<b>661,443</b>
Net fee and commission income	357,108	379,835	387,560	365,423
Net trading income	123,425	132,767	36,786	70,283
Income from derivatives and liabilities	2,798	37,841	108,412	263,776
Net income from financial investments	25,067	(13,085)	(157,706)	4,646
General administrative expenses	(753,016)	(761,300)	(772,372)	(833,753)
Other net operating income	(23,902)	(2,609)	(15,415)	(190,240)
Net income from disposal of group assets	(2,494)	(91)	6	4
<b>Profit before tax</b>	<b>405,042</b>	<b>473,472</b>	<b>153,258</b>	<b>341,583</b>
Income taxes	(99,684)	(101,388)	(70,895)	(127,276)
<b>Profit after tax</b>	<b>305,358</b>	<b>372,084</b>	<b>82,363</b>	<b>214,307</b>
Profit attributable to non-controlling interests	(35,346)	(26,944)	47,962	7,879
<b>Consolidated profit</b>	<b>270,012</b>	<b>345,140</b>	<b>130,326</b>	<b>222,186</b>



# Statement of financial position

<b>Assets</b> <b>€ 000</b>	<b>Notes</b>	<b>31/12/2012</b>	<b>31/12/2011</b>	<b>Change</b>
Cash reserve	[14, 35]	6,556,723	11,401,747	(42.5)%
Loans and advances to banks	[15, 35, 36]	22,323,301	25,748,044	(13.3)%
Loans and advances to customers	[16, 35, 36]	83,343,269	81,576,235	2.2%
Impairment losses on loans and advances	[17, 35]	(5,641,897)	(5,053,212)	11.6%
Trading assets	[18, 35, 36]	9,813,293	10,616,671	(7.6)%
Derivatives	[19, 35, 36]	1,405,088	1,404,809	0.0%
Financial investments	[20, 35, 36]	13,355,459	16,534,964	(19.2)%
Investments in associates	[21, 35, 36]	4,935	5,017	(1.6)%
Intangible fixed assets	[22, 24, 35]	1,321,011	1,065,548	24.0%
Tangible fixed assets	[23, 24, 35]	1,596,896	1,511,477	5.7%
Other assets	[25, 35, 36]	2,037,945	2,173,703	(6.2)%
<b>Total assets</b>		<b>136,116,023</b>	<b>146,985,003</b>	<b>(7.4)%</b>

<b>Equity and liabilities</b> <b>€ 000</b>	<b>Notes</b>	<b>31/12/2012</b>	<b>31/12/2011</b>	<b>Change</b>
Deposits from banks	[26, 35, 36]	30,186,449	37,991,809	(20.5)%
Deposits from customers	[27, 35, 36]	66,297,151	66,747,234	(0.7)%
Debt securities issued	[28, 35, 36]	13,290,102	14,366,814	(7.5)%
Provisions for liabilities and charges	[29, 35, 36]	720,996	770,957	(6.5)%
Trading liabilities	[30, 35, 36]	8,824,242	9,714,926	(9.2)%
Derivatives	[31, 35, 36]	471,804	791,720	(40.4)%
Other liabilities	[32, 35, 36]	1,515,338	1,515,024	0.0%
Subordinated capital	[33, 35, 36]	3,937,049	4,150,733	(5.1)%
Equity	[34, 35]	10,872,893	10,935,786	(0.6)%
Consolidated equity		9,428,368	8,825,228	6.8%
Consolidated profit		725,381	967,663	(25.0)%
Non-controlling interests		719,143	1,142,894	(37.1)%
<b>Total equity and liabilities</b>		<b>136,116,023</b>	<b>146,985,003</b>	<b>(7.4)%</b>

# Statement of changes in equity

€ 000	Subscribed capital	Participation capital/ Participation rights	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
<b>Equity as of 1/1/2011</b>	<b>593,323</b>	<b>2,500,000</b>	<b>2,567,874</b>	<b>2,589,562</b>	<b>1,087,475</b>	<b>1,065,690</b>	<b>10,403,925</b>
Capital increases	0	0	0	0	0	168,930	168,930
Transferred to retained earnings	0	0	0	683,186	(683,186)	0	0
Dividend payments	0	0	0	0	(404,289)	(58,498)	(462,788)
Total comprehensive income	0	0	0	(127,066)	967,663	(29,262)	811,336
Own shares/share incentive program	89	0	2,904	0	0	0	2,993
Other changes	0	0	0	15,356	0	(3,966)	11,390
<b>Equity as of 1/1/2012</b>	<b>593,412</b>	<b>2,500,000</b>	<b>2,570,778</b>	<b>3,161,038</b>	<b>967,663</b>	<b>1,142,894</b>	<b>10,935,786</b>
Capital increases	0	0	0	0	0	17,124	17,124
Transferred to retained earnings	0	0	0	563,374	(563,374)	0	0
Dividend payments	0	0	0	0	(404,289)	(58,428)	(462,718)
Total comprehensive income	0	0	0	69,361	725,381	43,567	838,309
Own shares/share incentive program	1,179	0	3,247	0	0	0	4,426
Other changes	0	0	0	(34,021)	0	(426,013)	(460,034)
<b>Equity as of 31/12/2012</b>	<b>594,591</b>	<b>2,500,000</b>	<b>2,574,025</b>	<b>3,759,752</b>	<b>725,381</b>	<b>719,143</b>	<b>10,872,893</b>

Further details about the above mentioned changes are reported under note (34) equity.

Other changes in equity are mainly due to purchases of non-controlling interests, namely of a share of 24 per cent in Raiffeisenbank a.s., Prague, a share of 13 per cent in Tatra banka, a.s., Bratislava, a share of 30 per cent in Raiffeisen Bank Zrt., Budapest, a share of 12 per cent in Raiffeisen Banka d.d., Maribor and a share of 3 per cent in Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo.

# Statement of cash flows

€ 000	2012	2011
<b>Profit after tax</b>	<b>747,683</b>	<b>974,113</b>
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	453,334	671,303
Net provisioning for liabilities and charges and impairment losses	1,111,417	1,316,152
Gains (losses) from disposals of tangible fixed assets and financial investments	(13,667)	(98,695)
Other adjustments (net)	(534,235)	611,542
<b>Subtotal</b>	<b>1,764,532</b>	<b>3,474,415</b>
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	6,756,715	(9,666,520)
Trading assets/trading liabilities (net)	(219,196)	1,576,554
Other assets/other liabilities (net)	913,512	(4,629,542)
Deposits from banks and customers	(11,628,799)	13,046,255
Debt securities issued	(1,553,069)	(1,933,292)
<b>Net cash from operating activities</b>	<b>(3,966,306)</b>	<b>1,867,870</b>
Proceeds from sale of:		
Financial investments	2,346,923	8,156,189
Tangible and intangible fixed assets	88,240	87,840
Proceeds from disposal of group assets	0	3
Payments for purchase of:		
Financial investments	(1,537,465)	(2,536,354)
Tangible and intangible fixed assets	(531,140)	(580,305)
Payments for acquisition of subsidiaries	(818,540)	0
<b>Net cash from investing activities</b>	<b>(451,982)</b>	<b>5,127,373</b>
Capital increases	17,124	168,930
Inflows/outflows of subordinated capital	(30,476)	149,635
Dividend payments	(462,718)	(462,788)
Change in non-controlling interests	(348,184)	0
<b>Net cash from financing activities</b>	<b>(824,254)</b>	<b>(144,223)</b>

€ 000	2012	2011
<b>Cash and cash equivalents at the end of previous period</b>	<b>11,401,747</b>	<b>4,806,891</b>
Cash from the acquisition of subsidiaries	339,640	0
Net cash from operating activities	(3,966,306)	1,867,870
Net cash from investing activities	(451,982)	5,127,373
Net cash from financing activities	(824,254)	(144,223)
Effect of exchange rate changes	57,878	(256,163)
<b>Cash and cash equivalents at the end of period</b>	<b>6,556,723</b>	<b>11,401,747</b>

Payments for taxes, interest and dividends	2012	2011
Interest received	6,827,115	6,517,369
Dividends received	5,942	19,320
Interest paid	(3,019,206)	(2,848,428)
Income taxes paid	(115,775)	(190,806)

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections:

- net cash from operating activities
- net cash from investing activities
- net cash from financing activities

Net cash from operating activities comprises inflows and outflows from loans and advances to banks and customers, from deposits from banks and customers as well as debt securities issued. Inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are also shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible assets, proceeds from disposal of group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents include the cash reserve recognized in the statement of financial position, which consists of cash in hand and balances at central banks due at call. It does not include loans and advances to banks that are due at call, which belong to operating activities.

# Segment reporting

## Division of the segments

### Segmentation principles

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

Markets in Central and Eastern Europe are thereby grouped together into regional segments in which countries with comparable economic profiles and similar long-term economic growth expectations are bundled into the same segment. Business activities outside the CEE region are divided according to business area.

In order to achieve the maximum possible transparency and clear lines of reporting, seven segments were defined in compliance with the IFRS 8 thresholds. IFRS 8 establishes a 10 per cent threshold for the key figures of operating income, profit after tax and segment assets.

The following segments resulted thereof:

#### Central Europe

This segment encompasses the most advanced banking markets in the EU-countries in Central and Eastern Europe, namely the Czech Republic, Hungary, Poland, Slovakia and Slovenia. They are also the markets in which RBI has been operating the longest. In each of the countries, RBI is represented by a bank, leasing companies and other specialized financial institutions. In Poland, in addition to the main activity of the credit business with corporate customers and small and medium-sized enterprises (also via leasing and factoring), the focus is also on retail banking and on affluent customers, especially since the acquisition of Polbank. In Slovakia, RBI is likewise active in its business divisions of Corporate and Retail Customers, including leasing, while at the same time expanding banking services for affluent customers. In Slovenia, the Group provides universal banking services and also leasing, with Group units concentrating in particular on local corporate customers. In the Czech Republic, RBI offers real estate leasing in addition to traditional banking services with corporate and retail customers. In Hungary, the Group provides services to private and corporate customers via the Bank's tightly knit network and also through leasing companies. In addition, RBI is represented in Slovakia and the Czech Republic through branches of its direct bank ZUNO.

#### Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these countries, RBI is represented by banks, leasing companies, as well as, in some markets, by separate capital management and asset management companies and pension funds. In Albania and Bulgaria, financial services are offered across all business divisions. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina the emphasis is on small and medium-sized enterprises, while also boasting a wide range of products for retail customers. In Croatia the focus is on large and medium-sized corporate customers and also on retail customers (pension funds business). In Romania a broad range of financial services is offered via its tightly knit branch network. Moreover, the Moldovan corporate customer market is also served from Romania. In Serbia, the market is serviced by a universal bank and a leasing company.

#### Russia

Raiffeisenbank is one of the leading foreign banks in Russia and services both corporate and retail customers. The national branch network also offers products tailored for affluent private individuals. The product range in Russia is rounded off by leasing business. In view of the size of the banking market and its high natural and industrial potential, the Russia segment is of key significance for RBI.

## CIS Other

This segment comprises Belarus, Kazakhstan and Ukraine. In Belarus, RBI is represented by a bank and a leasing company, whilst in Kazakhstan it is represented in the leasing business. In Ukraine RBI is represented by a bank, a leasing and a card-processing company and provides a full range of financial services and products via a tightly knit branch network.

## Group Corporates

The Group Corporates segment covers business with Austrian and international – notably Western European – corporate customers of the RBI AG, which are managed from Vienna and grouped within the Corporate Customers profit center. These customers include Austria's largest companies and multinational customers. The segment also comprises the large corporate business with Central and Eastern European customers as well multinationals with CEE-business, included in the Network Corporate Customers & Support profit center. The Corporate Customers and Network Corporate Customers & Support profit centers also include net income from structured trade financing for commodity traders, documentary business, project financing and a range of cofinancing solutions. Corporate customer business in further countries is operated via the Singapore, China, Malaysia and Malta branches, which are also included in this segment. Financing companies in USA and Hong Kong, which focus on niche market customers with selected products, are also allocated to this segment.

## Group Markets

The Group Markets segment covers RBI AG's customer and proprietary business related to the capital market. Income from currency, interest and securities trading as well as from trading in structured products for financial institutions is also allocated to this segment, as is proprietary business. The same applies to proprietary trading and market maker activities in Vienna, and to the branches in Singapore, China and London. This segment includes net income from customer business, sales of all banking products and business relationships with banks, institutional customers, governments and local authorities too. Furthermore, income from Raiffeisen Centrobank (equity trading and capital market financing) and from Kathrein Privatbank is also booked under this segment.

## Corporate Center

The Corporate Center segment encompasses all of the services provided by Group head office in various divisions that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Moreover, this segment includes the following areas: liquidity management and balance sheet structure management as part of proprietary trading, participations (in particular those of subsidiaries in CEE), income from banking operations carried out by Group head office and by the Maltese subsidiary for refinancing Group units, the Austrian transaction services business, which offers a wide range of order processing products and services for financial services providers, as well as income from the holding and other companies that do not fall directly under another segment.

# Assessment of segment profit and loss

The segment reporting according to IFRS 8 shows the segment performance on the basis of internal management reporting, supplemented with the reconciliation of the segment results to the consolidated financial statements. In principle, RBI's management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

The control of the separate segments is based on key indicators, which are assembled of several parameters like profitability, growth, efficiency, constraints and the business mix. The target values of the separate key indicators are determined according to the specific market environment and adapted on demand.

The performance of the CGUs is evaluated as follows:

- **Profitability**

The profitability is measured by the return on equity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the proportion between profit/loss after deduction of non-controlling interests and the average consolidated capital employed. The return on equity reflects the yield of the capital of each segment. The calculation of the RORAC indicates the risk adjusted capital, which reflects the demand of own funds and which has to be brought forward in case of unexpected losses by the bank. In RBI this capital requirement is calculated within the economic capital model for credit, market and operational risk. That ratio shows the interest of the risk-adjusted equity (economic capital), which is no indicator according to IFRS. Within the different countries and business lines the real earned RORAC will be compared with the predetermined minimal value for the RORAC (Hurdle), which reflects the market adequate yield expectations.

- **Growth**

Growth is a very important indicator. Within risk management certain limits are set for each segment. For this measurement the growth rates of the profit after non-controlling interests and operating income are considered. The diversification of the result is very crucial for the quality and the compliance with the strategic targets.

- **Efficiency**

The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows the proportion of the administrative expenses and the operating income, meaning the sum of net interest income, net fee and commission income, net trading income and the other net operating income.

- **Constraints**

In accordance with Basel II framework, specific determining factors have to be considered. The proportion of core tier 1 capital to risk-weighted assets (core tier 1 ratio) is an important indicator if the capital underlying for the business volume is adequate. The industry sector specifics are tending to different risk weights within the calculation of risk-weighted assets according to the Austrian Banking Act (based on Basel II). These factors are crucial for the calculation of the regulatory minimum own funds requirements. Moreover the efficient use of the available capital is calculated internally, whereby the actual usage is brought in proportion to the theoretical available risk coverage capital. The long-term liquidity ratios are additionally restrictive and they are defined in accordance with the regulatory guidelines. The performance is also measured with the risk/revenue ratio.

- **Business Mix**

The following key performance indicators are relevant for a reasonable and effective business structure, whereby the composition of the results and the indicators are significant. The structure of the prime funding basis for loans and advances to customers are measured using the loan/deposit ratio (proportion of loans and advances to customer to deposits from customers). The share of the result derived from the core business is relevant as well. The proportion of the net fee and commission income to the operating income is also a key performance indicator, which is included in the target setting for the business mix.

The presentation of segment performance is based on the income statement and geared to the reporting structure internally used. Income and expenses are attributed to the country and/or business division in which they are generated. Operating income positions are the net interest income, net fee and commission income, net trading income and the other net operating income. The other results include the net income from financial investments, the net income from derivatives (hedging) and liabilities and the net income from disposal of group assets. The segment result is shown till the profit/loss after deduction of non-controlling interests. The segment assets are represented by the total assets and the risk-weighted assets. The item liabilities includes all positions of the liabilities side except the equity. The reconciliation implies mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. Finally, financial ratios – usual in the line of business – are added to evaluate the results. The values shown in the segment reporting are retrieved from the IFRS individual financial statements and also used for the compilation of the consolidated financial statements and. In some units profit center results are taken from the internal management income statement.

<b>Financial year 2012</b>	<b>Southeastern</b>				<b>Group</b>
<b>€ 000</b>	<b>Central Europe</b>	<b>Europe</b>	<b>Russia</b>	<b>CIS Other</b>	<b>Corporates</b>
Net interest income	1,042,943	868,654	748,680	417,516	404,041
Net fee and commission income	495,784	319,479	285,134	209,070	162,766
Net trading income	7,886	53,118	69,313	(19,443)	16,301
Other net operating income	(17,848)	39,716	(4,857)	(5,165)	11,526
<b>Operating income</b>	<b>1,528,766</b>	<b>1,280,968</b>	<b>1,098,270</b>	<b>601,978</b>	<b>594,633</b>
General administrative expenses	(1,036,923)	(701,646)	(510,969)	(383,965)	(177,105)
<b>Operating result</b>	<b>491,843</b>	<b>579,321</b>	<b>587,301</b>	<b>218,013</b>	<b>417,529</b>
Net provisioning for impairment losses	(517,220)	(287,406)	15,946	(88,690)	(113,060)
Other results	78,370	10,779	(4,720)	(21,286)	14,440
<b>Profit/loss before tax</b>	<b>52,993</b>	<b>302,694</b>	<b>598,527</b>	<b>108,036</b>	<b>318,909</b>
Income taxes	(67,654)	(35,936)	(125,664)	(47,163)	(71,583)
<b>Profit/loss after tax</b>	<b>(14,662)</b>	<b>266,758</b>	<b>472,863</b>	<b>60,873</b>	<b>247,326</b>
Profit attributable to non-controlling interests	1,888	(15,534)	(5,030)	(6,322)	113
<b>Profit/Loss after deduction of non-controlling interests</b>	<b>(12,774)</b>	<b>251,224</b>	<b>467,833</b>	<b>54,551</b>	<b>247,439</b>
Share of profit before tax	4.3%	24.4%	48.3%	8.7%	25.7%
Risk-weighted assets (credit risk)	21,957,834	13,168,811	10,242,994	5,148,027	13,151,235
Total own funds requirement	2,044,727	1,269,452	978,507	503,172	1,116,475
Assets	40,787,143	21,345,864	15,635,307	6,323,791	18,996,626
Liabilities	37,075,827	18,408,609	13,175,285	5,274,843	13,190,568
Net interest margin (average assets)	2.68%	3.90%	4.83%	6.45%	1.93%
Net interest margin (average interest-bearing assets)	2.85%	4.21%	5.29%	7.12%	1.93%
NPL ratio	11.5%	12.5%	5.0%	28.2%	4.8%
NPL coverage ratio	64.0%	62.0%	100.0%	70.2%	60.7%
Cost/income ratio	67.8%	54.8%	46.5%	63.8%	29.8%
Provisioning ratio (average loans and advances to customers)	1.82%	1.93%	(0.17)%	1.83%	0.56%
Average equity	3,038,238	2,059,432	1,528,228	791,263	1,769,808
<b>Return on equity before tax</b>	<b>1.7%</b>	<b>14.7%</b>	<b>39.2%</b>	<b>13.7%</b>	<b>18.0%</b>
Business outlets	853	1,129	186	926	8



<b>Financial year 2012</b>				
<b>€ 000</b>	<b>Group Markets</b>	<b>Corporate Center</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income	159,068	500,819	(669,567)	3,472,155
Net fee and commission income	105,196	(41,607)	(19,423)	1,516,399
Net trading income	78,336	(36,195)	45,369	214,686
Other net operating income	12,782	43,637	(181,826)	(102,035)
<b>Operating income</b>	<b>355,383</b>	<b>466,654</b>	<b>(825,448)</b>	<b>5,101,204</b>
General administrative expenses	(256,400)	(328,274)	131,432	(3,263,850)
<b>Operating result</b>	<b>98,983</b>	<b>138,380</b>	<b>(694,016)</b>	<b>1,837,354</b>
Net provisioning for impairment losses	(17,773)	(619)	0	(1,008,823)
Other results	177,189	(537,242)	485,555	203,085
<b>Profit/loss before tax</b>	<b>258,399</b>	<b>(399,481)</b>	<b>(208,461)</b>	<b>1,031,616</b>
Income taxes	(67,881)	131,948	0	(283,933)
<b>Profit/loss after tax</b>	<b>190,518</b>	<b>(267,533)</b>	<b>(208,461)</b>	<b>747,683</b>
Profit attributable to non-controlling interests	(527)	(108)	3,219	(22,301)
<b>Profit/Loss after deduction of non-controlling interests</b>	<b>189,991</b>	<b>(267,641)</b>	<b>(205,242)</b>	<b>725,381</b>
Share of profit before tax	20.8%	(32.2)%	-	100.00%
Risk-weighted assets (credit risk)	3,323,153	18,957,029	(17,812,695)	68,136,388
Total own funds requirement	369,374	1,565,207	(1,221,190)	6,625,725
Assets	20,242,597	47,341,360	(34,556,664)	136,116,023
Liabilities	25,569,822	31,161,090	(18,612,913)	125,243,130
Net interest margin (average assets)	0.68%	0.91%	-	2.37%
Net interest margin (average interest-bearing assets)	0.85%	-	-	2.66%
NPL ratio	4.1%	-	-	9.82%
NPL coverage ratio	90.3%	-	-	67.0%
Cost/income ratio	72.1%	70.3%	-	63.5%
Provisioning ratio (average loans and advances to customers)	0.38%	0.01%	-	1.21%
Average equity	1,051,151	2,402,946	(1,954,788)	10,686,278
<b>Return on equity before tax</b>	<b>24.6%</b>	<b>-</b>	<b>-</b>	<b>9.7%</b>
Business outlets	3	1	-	3,106

Financial year 2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates
Net interest income	1,102,442	919,084	590,101	415,451	429,344
Net fee and commission income	490,576	364,937	237,692	175,546	177,798
Net trading income	76,670	41,448	38,155	(511)	21,062
Other net operating income	(1,731)	40,098	(12,595)	(6,578)	5,952
<b>Operating income</b>	<b>1,667,957</b>	<b>1,365,567</b>	<b>853,353</b>	<b>583,909</b>	<b>634,156</b>
General administrative expenses	(938,370)	(746,465)	(487,695)	(335,975)	(140,992)
<b>Operating result</b>	<b>729,587</b>	<b>619,102</b>	<b>365,658</b>	<b>247,935</b>	<b>493,164</b>
Net provisioning for impairment losses	(646,147)	(257,872)	42,062	(127,685)	(115,520)
Other results	(50,487)	(9,967)	25,989	(14,626)	(3,966)
<b>Profit/loss before tax</b>	<b>32,953</b>	<b>351,263</b>	<b>433,708</b>	<b>105,624</b>	<b>373,678</b>
Income taxes	(65,676)	(46,552)	(112,129)	(51,611)	(75,950)
<b>Profit/loss after tax</b>	<b>(32,723)</b>	<b>304,710</b>	<b>321,579</b>	<b>54,013</b>	<b>297,727</b>
Profit attributable to non-controlling interests	21,819	(15,937)	163	(3,202)	0
<b>Profit/Loss after deduction of non-controlling interests</b>	<b>(10,904)</b>	<b>288,773</b>	<b>321,742</b>	<b>50,811</b>	<b>297,727</b>
Share of profit before tax	2.2%	23.4%	28.9%	7.0%	24.9%
Risk-weighted assets (credit risk)	21,510,076	16,324,786	10,516,501	5,489,957	15,732,909
Total own funds requirement	1,965,168	1,524,020	1,032,772	532,183	1,333,051
Assets	34,851,819	22,827,461	14,217,958	6,760,777	22,842,660
Liabilities	31,798,430	19,829,743	12,135,402	5,723,562	15,377,841
Net interest margin (average assets)	3.16%	4.07%	4.47%	6.10%	1.97%
Net interest margin (average interest-bearing assets)	3.36%	4.41%	5.18%	6.77%	1.97%
NPL ratio	9.8%	11.3%	5.8%	29.7%	3.0%
NPL coverage ratio	60.7%	58.6%	100.2%	68.2%	66.7%
Cost/income ratio	56.3%	54.7%	57.2%	57.5%	22.2%
Provisioning ratio (average loans and advances to customers)	1.38%	1.66%	0.11%	2.81%	0.20%
Average equity	2,739,633	2,008,833	1,274,757	699,066	1,667,298
<b>Return on equity before tax</b>	<b>1.2%</b>	<b>17.5%</b>	<b>34.0%</b>	<b>15.1%</b>	<b>22.4%</b>
Business outlets	552	1,161	191	1,011	8

<b>Financial year 2011 € 000</b>	<b>Group Markets</b>	<b>Corporate Center</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income	229,251	362,936	(381,459)	3,667,150
Net fee and commission income	114,603	(64,740)	(6,485)	1,489,927
Net trading income	176,015	37,648	(27,226)	363,261
Other net operating income	27,855	19,670	(304,838)	(232,167)
<b>Operating income</b>	<b>547,723</b>	<b>355,514</b>	<b>(720,008)</b>	<b>5,288,171</b>
General administrative expenses	(263,594)	(317,693)	110,345	(3,120,440)
<b>Operating result</b>	<b>284,128</b>	<b>37,821</b>	<b>(609,663)</b>	<b>2,167,731</b>
Net provisioning for impairment losses	(13,544)	55,157	(2)	(1,063,551)
Other results	(4,337)	(157,640)	484,209	269,175
<b>Profit/loss before tax</b>	<b>266,293</b>	<b>(64,663)</b>	<b>(125,501)</b>	<b>1,373,355</b>
Income taxes	(71,629)	24,353	(49)	(399,243)
<b>Profit/loss after tax</b>	<b>194,664</b>	<b>(40,309)</b>	<b>(125,548)</b>	<b>974,113</b>
Profit attributable to non-controlling interests	(879)	(17)	(8,396)	(6,449)
<b>Profit/Loss after deduction of non-controlling interests</b>	<b>193,784</b>	<b>(40,326)</b>	<b>(133,943)</b>	<b>967,663</b>
Share of profit before tax	17.8%	(4.3)%	-	100.0%
Risk-weighted assets (credit risk)	5,128,754	19,595,510	(17,148,006)	77,150,488
Total own funds requirement	841,134	1,682,990	(1,287,189)	7,624,128
Assets	25,731,849	53,835,243	(34,082,764)	146,985,003
Liabilities	29,357,601	43,818,972	(21,992,334)	136,049,217
Net interest margin (average assets)	0.85%	0.80%	-	2.61%
Net interest margin (average interest-bearing assets)	1.00%	-	-	2.90%
NPL ratio	6.5%	0.0%	-	8.6%
NPL coverage ratio	107.8%	0.0%	-	68.4%
Cost/income ratio	48.1%	89.4%	-	57.0%
Provisioning ratio (average loans and advances to customers)	0.85%	0.0%	-	1.34%
Average equity	1,363,455	1,917,504	(1,638,511)	10,032,035
<b>Return on equity before tax</b>	<b>19.5%</b>	<b>-</b>	<b>-</b>	<b>13.7%</b>
Business outlets	4	1	-	2,928

# Notes

## Reporting entity

Raiffeisen Bank International AG (RBI AG) is registered at the Vienna Commercial Court (Handelsgericht Wien) under Companies Register number FN 122.119m. The company is domiciled at Am Stadtpark 9, 1030 Vienna. The consolidated financial statements are lodged in the Companies Register in accordance with Austrian disclosure regulations and published in the official register of the Wiener Zeitung. Raiffeisen-Landesbanken-Holding GmbH indirectly holds the majority stake in Raiffeisen Bank International AG and therefore RBI is entered into the consolidated financial statements of Raiffeisen-Landesbanken-Holding GmbH. Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna, is the superordinated credit institution and RBI forms part of this credit institution group.

Raiffeisen Bank International (RBI) is a universal bank focusing on corporate and retail customers in Central and Eastern Europe (CEE) and exclusively on corporate customers in Austria. In CEE, RBI consists of a closely-knit network of banks, leasing companies and numerous specialized financial service providers with 3,106 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and it is one of Austria's most prominent corporate finance and export and trade finance banks. Cash and asset management, treasury operations and investment banking are further fields of activity. RBI's focus as a highly specialized financial engineer is on serving Austrian and foreign key accounts, multinationals and providers of financial services. RBI has branches, subsidiaries and representative offices in the world's major financial centers and in Asia, which have selective business with corporate customers and financial institutions.

The consolidated financial statements were signed by the Management Board on 11 March 2013 and subsequently submitted to the Supervisory Board for review and notice.

## Principles underlying the consolidated financial statements

### Policies

The consolidated financial statements for the financial year 2012 and the comparative figures for the financial year 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as far as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable have been considered. All standards published by the IASB as International Accounting Standards to be applied to financial statements for 2012 and adopted by the EU, have been applied. The consolidated financial statements satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 31, IAS 41 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. With the exception of five subsidiaries – with a year-end reporting date on 30 June and which are therefore accounted for with interim financial statements – all fully consolidated companies prepare their annual financial statements as of 31 December. The deviating reporting dates are due to dividend policy reasons and to the seasonality of the business transactions. Figures in these financial statements are stated in € thousand. The following tables may include rounding differences.

The consolidated financial statements are based on the principle of going concern. A financial asset is recognized when it is probable that the future economic benefits will flow to the company and the acquisition or conversion costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

### 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 our current perspective. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgments and key sources of estimation uncertainty are as follows:

## Risk provisions for loans and advances

At each reporting date all financial assets not measured at fair value through profit or loss are assessed whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss. Details and development concerning risk provisions are provided in note (44) risks arising from financial instruments in the chapter credit risk.

## Fair value of financial instruments

Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances valuation adjustments are necessary in order to account for model risk, liquidity risk or credit risk. The description of the valuation techniques is to be found in the chapter financial instruments: Recognition and measurement. In addition, the fair values of derivative financial instruments are shown in note (46) fair value of financial instruments not reported at fair value and the fair value hierarchy is shown in note (47) fair value of financial instruments reported at fair value.

## Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilized. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information and, if relevant, forecasted operating results based upon approved business plans, including a review of the eligible carry-forward period.

Deferred taxes are not separately shown in the income statement and on the statement of financial position. Details are provided in the statement of comprehensive income and in notes (11) income taxes, (25) other assets and (29) provisions for liabilities and charges.

## Provisions for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumption and estimates used for the defined benefit obligation calculations can be found in chapter Provisions for pensions and similar obligations." Quantitative data for long term employee provisions are disclosed in note (29) provisions for liabilities and charges.

## Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to an annual impairment review. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount needs judgments and assumptions made by the management. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers these estimates to be critical. Details concerning the impairment review of non-financial assets are disclosed in the chapter "Business Combinations." Additionally, the carrying amounts of the goodwill are presented in note (22) intangible assets.

## Application of new and revised standards

### IFRS 7 (Financial instruments: transfers of financial assets; entered into force on July 1st, 2011)

For the first time in the current reporting period RBI applies the amendments to IFRS 7 which increase the disclosure requirements for transactions involving transfers of financial assets. The amendments provide greater transparency of the risk exposures of such transactions. The respective information on the transfer of financial assets was made with regard to the application of the revised IFRS 7 in note (40). In accordance with the transitional provisions of IFRS 7, RBI does not present comparative information in the notes.

**IAS 12 (Income taxes: recovery of underlying assets; entered into force on January 1st, 2012)**

For the first time in the current reporting period RBI applies the amendments relating to income taxes on recovered underlying assets. Accordingly, it is assumed for the purpose of recognizing deferred taxes that the economic benefits from investment properties, which in accordance with the option in IAS 40, are measured at fair value, will be realized through sale. For this treatment not to apply the assumption must be rebutted. The amendments do not have an impact on the consolidated financial statements of 2012 due to the fact that all investment properties are measured at amortized cost according to IAS 40.

**IFRS 1 (First-time adoption of IFRS; entered into force on July 1st, 2011)**

The amendments relate to an exemption from severe hyperinflation and the elimination of fixed dates of transition. The amendments have no impact on the consolidated financial statements of 2012.

**New and revised standards not yet applicable (already endorsed by the EU)**

No early adoption of the following new and amended standards and interpretations that have been adopted, but whose use is not mandatory, was made.

**IAS 1 (Presentation of items of other comprehensive income; entered into force on July 1st, 2012)**

The amendments to IAS 1 require presentation, by using subtotals, as to whether the items of other comprehensive income are reclassifiable to profit or loss or not. Moreover, if other comprehensive income items are presented before tax then the tax related to each of the two categories has to be presented separately. Application of these amendments will have an impact on presentation of the statement of comprehensive income.

**IAS 19 (Employee benefits; entered into force on January 1st, 2013)**

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 require retrospective application. From the perspective of RBI the initial application of the amendments for the financial year 2013 will not have a significant impact on the consolidated financial statements.

**IAS 27 (Separate financial statements; entry into force on January 1st, 2014)**

The revised IAS 27 will only be relevant for individual financial statements. The revised version will have no impact on the consolidated financial statements.

**IAS 28 (Investments in associates and joint ventures; entry into force on January 1st, 2014)**

Joint ventures are added to the scope of the revised IAS 28, due to the fact that under IFRS 11 the equity method is the only way of including joint ventures in the consolidated financial statements. It is expected that the revised version of IAS 28 will have no impact on the consolidated financial statements.

**IAS 32 (Offsetting financial assets and liabilities; entry into force on January 1st, 2014)**

The amendments clarify existing application issues relating to the offset 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'. It is expected that the revised version of IAS 32 will have no impact on the consolidated financial statements.

**IFRS 1 (Government loans; entry into force on January 1st, 2013)**

The amendment to IFRS 1 make it clear that government loans are now excluded from the retrospective application of IFRS on transition to IFRS. changes will have no impact on the consolidated financial statements of RBI.

### **IFRS 7 (Disclosures: offsetting financial assets and liabilities; entry into force on January 1st, 2014)**

The amendments to IFRS 7 require entities to disclose information about rights to offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. It is expected that the revised version of IFRS 7 will have no impact on the consolidated financial statements.

### **IFRS 10 (Consolidated financial statements; entry into force on January 1st, 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 withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power 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 standard to deal with complex scenarios. From the perspective of RBI the future application of IFRS 10 will not have a significant impact on the consolidated group.

### **IFRS 11 (Joint arrangements; entry into force on January 1st, 2014)**

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". 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, in IFRS 11 the accounting for jointly controlled assets is not addressed separately anymore; here the rules for joint ventures are applied. The classification of a joint arrangement as joint operations or joint ventures depends on the rights and obligations of the parties to the agreement. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation. We assume that the future application of IFRS 11 will have no impact on the consolidated financial statements.

### **IFRS 12 (Disclosures of interests in other entities; entry into force on January 1st, 2014)**

IFRS 12 is a disclosure standard regarding statements in the notes and 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 more extensive than those in the current standards. From our perspective the amendments which are effective on 1 January 2014 will influence our notes in the consolidated financial statements with regard to the additional disclosures in accordance with IFRS 12.

### **IFRS 13 (Fair value measurement; entered into force on January 1st, 2013)**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only, under IFRS 7, will be extended by IFRS 13 to cover all assets and liabilities within its scope. We assume that application of IFRS 13 will have an impact on the presentation of financial assets and financial liabilities of the Group.

### **IFRIC 20 (Stripping costs in the production phase of a surface mine; entered into force on January 1st, 2013)**

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognized as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 "Inventories." The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. These amendments will have no impact on the consolidated financial statements.

## New and revised IFRSs not yet applicable (not yet endorsed by the EU)

### **Annual Improvements to IFRSs 2009-2011 Cycle (entered into force on January 1st, 2013)**

The Annual Improvements include a variety of amendments to different IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. These amendments will have no impact on the consolidated financial statements.

### **IFRS 9 (Financial instruments; entry into force on January 1st, 2015)**

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Key requirements of IFRS 9 are:

All recognized financial assets are to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income recognized in profit or loss. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of the entity, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. RBI anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### **Mandatory effective date of IFRS 9 and transition disclosures (Amendments to IFRS 9 and IFRS 7; entry into force on January 1st, 2015)**

These amendments move the mandatory effective date of IFRS 9 to reporting periods beginning on or after 1 January 2015. In addition, exceptions are granted with respect of the adjustment of prior periods and the corresponding IFRS 7 disclosures.

### **Amendments to IFRS 10, IFRS 11 and IAS 27 – Investment entities (entry into force on January 1st, 2014)**

These amendments provide an exception to the consolidation requirements of subsidiaries in IFRS 10 "Consolidated Financial Statements." 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 or loss in accordance with IFRS 9 "Financial Instruments" or IAS 39 "Financial Instruments: Recognition and Measurement".

### **Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance (entry into force on January 1st, 2014)**

With these amendments the transition guidance in IFRS 10, IFRS 11 and IFRS 12 are clarified and provide additional relief in all three standards. Adapted comparative information is only required for the previous comparable period. In addition, in connection with the information in the notes to non-consolidated companies structured there is no obligation to provide comparative information for periods that precede the application of IFRS 12.

## Consolidation methods

All material subsidiaries in which RBI AG directly or indirectly, holds either more than 50 per cent of the voting rights or otherwise has control over the financial and operating policies are fully consolidated. In principle, these subsidiaries are firstly integrated in the consolidated group on the date when RBI AG obtains control of the company and are excluded from the date on when it no longer has control of the company. The Group reviews the adequacy of previously made decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. These include, apart from changes in ownership, also changes due to existing or newly signed contractual obligations by a unit with the Group. Subsidiaries with deviating reporting dates are accounted for with their interim financial statements. The results from subsidiaries that were acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal.



Special purpose entities (SPE) which are controlled by the Group from an economic point of view, are fully consolidated according to SIC 12. To determine whether a special purpose entity is controlled from an economic perspective, a number of factors are to be taken into consideration. These include an investigation into whether the activities carried out by the SPE in favor of the Group are in accordance with its specific business needs so that it can take advantage of the activities of the SPE, whether the Group has the decision-making powers to achieve the majority of the benefits from the SPE, whether in fact the Group receives the majority of the benefits of the activities of the SPE, or whether the Group retains the majority of the assets associated with the residual or ownership risks in order to benefit from its activities.

In the case that further shares are acquired under existing control or shares are sold without loss of control, such transactions are recognized directly in equity during the course of continuing consolidation.

Intra-group business combinations (transactions under common control) are accounted for by carrying over book values.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

Material interests in associated companies – where the Group exerts a significant influence on financial and operating policies of these companies – are valued at equity and reported under the item “investments in associates.” Profit or losses occurring in companies valued at equity are shown net in “current income from associates.” The same rules apply to companies valued at equity (offsetting acquisition costs against proportional fair net asset value) as apply to fully consolidated companies. On principle, IFRS financial statements of associated companies are used. Changes in equity of companies valued at equity are shown in the consolidated accounts in other comprehensive income.

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that have not been valued at equity are shown under the item “financial investments” and are measured at acquisition cost.

In the scope of debt consolidation, intra-group loans and liabilities are eliminated in the consolidated accounts. Remaining temporary differences are recognized under “other assets/other liabilities.”

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are shown partly in net interest income and partly in net trading income. Other differences were shown in the item “other net operating income.”

Intra-group results are eliminated insofar as they had a material effect on the income statement items. Bank business transactions between Group members are usually executed in arm's length transaction.

## Business combinations

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair values on the acquisition date according to IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalized as goodwill. The goodwill is tested annually for impairment. Negative differences arising within initial consolidation will be recognized immediately in profit.

### Impairment test for goodwill

On each reporting date, goodwill is examined with a view to their future economic utility on the basis of cash generating units. A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units and within the segments, the legal entities form the cash generating unit for impairment testing of goodwill. The carrying value of the cash generating unit (including any allocated goodwill) is compared with its recoverable value. The recoverable value represents the higher of an item's value in use and the fair value less cost to sell. It is based on the expected profits of the units. They are discounted at an interest rate reflecting the risk involved. The estimation of future earnings requires judgment of the past and actual performance and the expected development in the respective markets and overall macro-economic environment.

The estimation of the future development of the cash generating units starts with macroeconomic facts (gross domestic product, inflation expectations) and considers specific market conditions and the business policy. The data is then used to capture the terminal value on a going concern concept. Discounting of the earnings relevant for the measurement (expected dividends) is made on different country-specific equity capital cost rates, which are based on the capital asset pricing model. The individual components (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) are defined by using external information sources. A planning horizon of 10 years was assumed for the calculation of the recoverable amount, in order to better represent the medium-term developments in the CEE region. The planning period is divided into two phases, whereby phase I covers the first ten years, phase II covers the period over ten years.

The material goodwill resulted from the following cash generating units: Raiffeisen Bank Aval JSC, Kiev (AVAL), Raiffeisen Bank Polska S.A., Warsaw (RBPL), ZAO Raiffeisenbank, Moscow (RBRU), Raiffeisen Bank Sh.a., Tirane (RBAL) and Raiffeisenbank a.s., Prague (RBCZ).

Cash generating units In € million	AVAL	RBAL	RBCZ	RBPL	RBRU
Goodwill (before impairment in 2012)	29	51	41	175	266
Group equity	96.2%	100.0%	75.0%	100.0%	100.0%
Method used to calculate the fair value	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell
Discount rates (after tax)	16.0% - 23.7%	12.5% - 16.8%	9.9% - 12.4%	10.4% - 12.8%	13.7% - 17.9%
Growth rates in phase II	6.5%	4.0%	2.5%	3.0%	6.1%
Planning period	10 years	10 years	10 years	10 years	10 years
Impairment	Yes	No	No	No	No

During 2012 impairment charges of € 38 million were made against goodwill on RBI Group level. The largest impairment charge (€ 29 million) arose in the Ukrainian Raiffeisen Bank Aval JSC due to the outlook for Ukraine an increase in the discount rate (credit rating downgrade in Ukraine and an increase in the estimate of the equity risk premium). The discount rate used for the impairment test for goodwill of Raiffeisen Bank Aval JC was between 23.7 per cent and 16.0 per cent (2011: 21.7 per cent and 13.7 per cent).

### Sensitivity Analysis

A sensitivity analysis was used to test the robustness of the impairment test for goodwill which was based on the above given assumptions. From a number of options for this analysis, two parameters were selected, namely, the cost of equity and the reduction in earnings. The table below shows to what extent an increase in the cost of equity or a reduction in earnings could be made without the fair value of the cash generating units sinking below the carrying value (equity plus goodwill):

Maximum sensitivity <sup>1</sup>	AVAL	RBAL	RBCZ	RBPL	RBRU
Increase in discount rate	-	5.3 PP	1.5 PP	0.8 PP	2.8 PP
Reduction in earnings	-	(39.0)%	(17.0)%	(9.0)%	(27.0)%

<sup>1</sup> Only change in terminal value assumptions.

### Impairment test for intangible fixed assets

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item "intangible fixed assets." Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise.

The value of the Raiffeisen Bank Aval JC, Kiev brand was determined using the comparable historical cost approach, because neither immediately comparable transactions nor a market with observable prices were available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the data base for the historical cost approach.

The value of the Polbank EFG S.A., Warsaw brand was determined using the relief from royalty method, because neither immediately comparable transactions nor a market with observable prices were available at the time of purchase price allocation. The underlying premise of this method is that the subject trademark has a fair value equal to the present value of the royalty income attributable to it.

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

The impairment test of intangible assets of Raiffeisenbank AVAL JSC, Kiev identified impairment loss in the amount of € 3,432 thousand. This impairment loss relates to the customer base for the corporate customers segment which was recognized at the date of initial consolidation.

## Consolidated group

Number of units	Fully consolidated		Equity method	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
<b>As of beginning of period</b>	<b>135</b>	<b>132</b>	<b>1</b>	<b>1</b>
Included for the first time in the financial period	15	8	0	0
Merged in the financial period	(3)	0	0	0
Excluded in the financial period	(10)	(5)	0	0
<b>As of end of period</b>	<b>137</b>	<b>135</b>	<b>1</b>	<b>1</b>

Of the 137 entities in the Group, 32 are domiciled in Austria (2011: 29) and 105 abroad (2011: 106). They comprise 21 banks, 61 financial institutions, 22 companies rendering bank-related ancillary services, 13 financial holding companies and 20 other companies. Because of their minor importance in giving a view of the Group's assets, financial and earnings position 220 subsidiaries were not included in the consolidated financial statements (2011: 231). They are recognized at cost under financial investments. The total assets of the companies not included came to less than 1 per cent of the Group's aggregated total assets. A list of fully consolidated companies, companies valued at equity and other equity participations may be found under note (56) list of fully consolidated companies and under note (57) list of equity participations.

## Included units

Name	Share	Included as of	Reason
<b>Banks</b>			
Polbank EFG S.A., Warsaw (PL)	100.0%	1/5	Purchase
<b>Financial institutions</b>			
Building Business Center doo Novi Sad, Novi Sad (RS)	100.0%	1/6	Start of operations
ООО RB Obligatsii, Moscow (RU)	100.0%	1/7	Materiality
Raiffeisen Non-Government Pension Fund, Moscow (RU)	100.0%	1/1	Materiality
RBI Leasing GmbH, Vienna (AT)	75.0%	1/2	Start of operations
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	0.0% <sup>1</sup>	1/6	Start of operations
<b>Financial holding companies</b>			
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	100.0%	1/1	Start of operations
RBI LEA Beteiligungs GmbH, Vienna (AT)	100.0%	1/2	Start of operations
RBI LGG Holding GmbH, Vienna (AT)	100.0%	1/2	Start of operations
<b>Companies rendering banking-related ancillary services</b>			
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	100.0%	1/6	Start of operations
EFG Poldstrybuca Sp. z o.o., Warsaw (PL)	87.0%	1/5	Purchase
Park City real estate Holding d.o.o., Belgrade (RS)	100.0%	1/6	Start of operations
Pointon Investment Limited, Limassol (CY)	100.0%	1/6	Start of operations
Vindalo Properties Limited, Agios Athanasios, Limassol (CY)	100.0%	1/6	Start of operations
<b>Other companies</b>			
Centrotrade Commodities Malaysia Sdn Bhd, Kuala Lumpur (MY)	100.0%	1/8	Start of operations

<sup>1</sup> Included in the consolidated financial statements based on the economic control according to SIC 12

## Business combinations

On 30 April 2012, the formal closing of the acquisition of a 70 per cent stake in Polbank EFG S.A., Warsaw, took place. Polbank was included in the consolidated financial statements for the first time as of 1 May 2012. The provisional cash consideration for the 70 per cent stake amounted to € 460,000 thousand. Immediately after the closing, the seller Eurobank EFG exercised the put option for the 30 per cent stake in Polbank and sold it for at least € 176,350 thousand to RBI. In addition, a value adjustment amounting to € 30,000 thousand in favour of RBI was agreed and the capital increase of Polbank amounting to € 210,300 thousand - carried out by the seller and taken over by RBI at nominal value - was included. The final total consideration transferred depends on the equity in the audited closing balance as of 30 April 2012 of Polbank or Raiffeisen Bank Polska. Amounts above equity guaranteed in the purchase contract are to be paid 1:1.

Polbank operating in the retail business had a network of 327 business outlets and 3,065 employees and served more than 700,000 customers at the time of initial consolidation. At the time of initial consolidation total assets amounted to € 6,191,211 thousand, of which € 4,826,160 thousand represented loans and advances to customers (less impairment losses). Customer deposits totaled € 3,528,143 thousand and equity amounted to € 650,459 thousand.

The following table shows the total consideration paid for Polbank and the acquired assets and liabilities recognized at the acquisition date:

€ 000	30/4/2012
Cash reserve	339,640
Loans and advances to banks	111,600
Loans and advances to customers (less impairment losses)	4,826,160
Financial investments	700,369
Intangible fixed assets	24,298
Polbank brand	47,951
Customer base	16,879
Tangible fixed assets	43,053
Other assets	81,260
<b>Assets</b>	<b>6,191,211</b>
Deposits from banks	1,959,447
Deposits from customers	3,528,143
Provisions for liabilities and charges	11,442
Trading liabilities	142
Other liabilities	41,577
<b>Total identifiable net assets</b>	<b>650,459</b>
Non-controlling interests	0
<b>Net assets after non-controlling interests</b>	<b>650,459</b>
Total consideration transferred <sup>1</sup>	816,650
<b>Goodwill<sup>2</sup></b>	<b>166,191</b>

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

2 The goodwill is shown before consideration of deferred taxes as a result of business combinations according to IAS 12.19 in conjunction with IAS 12.26(c) and IAS 12.66, in the amount of € 7,979 thousand.

€ 000	30/4/2012
Cost of acquisition	816,650
Liquid funds	339,640
<b>Cash flow for the acquisition</b>	<b>477,010</b>

In the course of the preliminary purchase price allocation in accordance with IFRS 3, the existing customer base of Polbank has been identified as separate intangible fixed assets. The cost of the existing customer base amounted to € 16,879 thousand as of 1 May 2012; the amortization period has been set with ten years. Additionally, in the course of the purchase price allocation, the existing brand of Polbank has been identified as separate intangible fixed assets. The cost of the brand amounted to € 47,951 thousand as of 1 May 2012.

Goodwill arose from the acquisition of Polbank because the cost of the business combination includes a control premium. In addition, the consideration paid includes amounts in relation to the benefit of expected synergies, for example cross selling, reduction of general administrative expenses and assets not recognized such as know-how of the workforce, etc.

The loss after tax of Polbank in the income statement from 1 May to 31 December 2012 amounted to € 66,379 thousand. Operating income totaled € 89,781 thousand for the same period.

## Mergers

In the financial year, three mergers took place: Centrottrade Investment AG, Zug was merged as of 30 September 2012 into Centrottrade Chemicals AG, Zug. Raiffeisen Equipment Leasing Kft., Budapest was merged as of 30 November 2012 into Raiffeisen Bank Zrt., Budapest. Polbank EFG S.A., Warsaw was merged as of 31 December 2012 into Raiffeisen Bank Polska S.A., Warsaw.

## Excluded units

Name	Share	Excluded as of	Reason
<b>Financial institutions</b>			
Cristal Palace Property s.r.o., Prague (CZ)	69.0 %	1/3	Immaterial
Dione Property s.r.o., Prague (CZ)	69.0 %	1/3	Immaterial
Raines Property, s.r.o., Prague (CZ)	69.0 %	1/3	Immaterial
RLRE Lyra Property s.r.o., Prague (CZ)	69.0 %	1/3	Immaterial
<b>Companies rendering banking-related ancillary services</b>			
LLC "Realty-Invest", Moscow (RU)	50.0 %	1/1	End of operations
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	77.5%	31/12	Immaterial
<b>Other companies</b>			
Raiffeisen Tower Ltd., Budapest (HU)	64.3%	31/12	Immaterial
Residence Park Trebes, s.r.o., Prague (CZ)	69.0 %	1/1	Immaterial
SCT Krautland Ltd., Budapest (HU)	54.54 %	31/10	Sale
Somlói út Kft., Budapest (HU)	62.8%	31/12	Immaterial

The following table shows the income arising from disposal of Group assets:

€ 000	Krautland	RT	Others	Total
Assets	10,316	9,370	18,639	38,325
Liabilities	16,471	15,481	18,722	50,674
<b>Total identifiable net assets</b>	<b>(6,155)</b>	<b>(6,112)</b>	<b>(83)</b>	<b>(12,349)</b>
Non-controlling interests	0	1,039	0	1,039
<b>Net assets after non-controlling interests</b>	<b>(6,155)</b>	<b>(5,073)</b>	<b>(83)</b>	<b>(11,310)</b>
Goodwill	79	0	214	293
Selling price	0	0	1,120	1,120
<b>Net income from disposal of group assets</b>	<b>6,076</b>	<b>5,073</b>	<b>989</b>	<b>12,137</b>

Krautland: SCT Krautland Ltd., Budapest (HU)  
RT: Raiffeisen Tower Ltd., Budapest (HU)

The liquidity effect of the sold Group unit is equal to the selling price as there were no liquid funds available.

## Foreign currency translation

Financial statements of fully consolidated companies prepared in foreign currencies were translated into euros employing the modified current rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) were offset against retained earnings.

The income statement items were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity.

In the case of four subsidiaries not headquartered in the euro-area, the US-Dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions, as both the transactions and the refinancing were undertaken in US-Dollars.

The following exchange rates were used for currency translation:

Rates in units per € – as of	2012		2011	
	As of 31/12	Average 1/1-31/12	As of 31/12	Average 1/1-31/12
Albanian lek (ALL)	139.590	139.298	138.930	140.498
Belarusian rouble (BYR)	11,340.000	10,766.923	10,800.000	7,056.431
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)	7.558	7.527	7.537	7.444
Czech koruna (CZK)	25.151	25.189	25.787	24.635
Great Britain Pound (GBP)	0.816	0.814	0.835	0.870
Hungarian forint (HUF)	292.300	290.242	314.580	280.460
Kazakh tenge (KZT)	199.220	192.773	191.720	204.444
Lithuanian litas (LTL)	3.453	3.453	3.453	3.453
Malaysian Ringgit (MYR)	4.035	3.989	4.106	4.257
Moldovan leu (MDL)	15.997	15.594	15.074	16.421
Polish zloty (PLN)	4.074	4.190	4.458	4.125
Romanian leu (RON)	4.445	4.447	4.323	4.242
Russian rouble (RUB)	40.330	40.235	41.765	41.022
Serbian dinar (RSD)	113.718	112.880	104.641	102.306
Singapore dollar (SGD)	1.611	1.614	1.682	1.751
Swedish krona (SEK)	8.582	8.701	8.912	9.004
Swiss franc (CHF)	1.207	1.205	1.216	1.233
Turkish lira (TRY)	2.355	2.325	2.443	2.333
Ukrainian hryvnia (UAH)	10.537	10.307	10.298	11.092
US-Dollar (USD)	1.319	1.293	1.294	1.395

### Accounting in hyperinflationary economies – IAS 29

Since 1 January 2011, Belarus has been classified in accordance with IAS 29 (Financial reporting in hyperinflationary economies) as a highly inflationary economy. Thus, the local activities of RBI are no longer recognized on the basis of historical acquisition and production costs, but have been adjusted for the effects of inflation. For this purpose the local inflation index has been used.

The application of the relevant provisions in IAS 29 in connection with IFRIC 7 (Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies) impacts the financial statements of RBI on 31 December 2012, as well as the financial statements of subsequent periods.

The individual financial statements of RBI subsidiaries in Belarus are adjusted before translation into the group currency and before consolidation, so that all assets and liabilities are stated with the same level of purchasing power. Amounts in the statement of financial position which are not stated in the valid measuring unit as of the reporting date, are adjusted according to a general price index. All non-monetary items in the statement of financial position carried at cost of acquisition or cost of acquisition less depreciation are adjusted by changes in the index between the transaction date and the reporting date. Monetary items are not adjusted. All components of equity are adjusted at the time of inflow according to a general price index. The gain or loss on the net monetary position is shown in the income statement under item net trading income, subitem currency-based transactions.

Development of the inflation rate in Belarus	in per cent
2011	108.7
January 2012	109.7
February 2012	107.4
March 2012	106.5
April 2012	101.1
May 2012	80.5
June 2012	69.2
July 2012	65.7
August 2012	55.6
September 2012	38.8
October 2012	30.6
November 2012	22.9
Dezember 2012	21.8

# Recognition and measurement principles

## Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Measurement of financial instruments is effected according to the measurement categories to which they belong. They are defined as follows:

1. Financial assets or liabilities at fair value through profit and loss
  - a. Trading assets/liabilities
  - b. Designated financial instruments at fair value
2. Financial assets held-to-maturity
3. Loans and advances
4. Financial assets available-for-sale
5. Financial liabilities

### 1. Financial assets or liabilities at fair value through profit and loss

#### a. Trading assets/liabilities

Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest curve which consists of money market rates, future rates and swap rates and does not include risk premium. As option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte-Carlo simulations.

Derivative financial instruments held-for-trading are shown under the item "trading assets" or "trading liabilities." Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item "derivatives." Furthermore, any liabilities from the short-selling of securities are shown in trading liabilities.

The valuation methodology for capital-guaranteed products is in accordance with the legal framework. The capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed. The valuation is based on a Monte-Carlo simulation. The RBI has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG. The bank guarantees that the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

#### b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instrument at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of the intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities as well as shares and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item "financial investments," current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

On the other hand, financial liabilities are designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option contains all market risk factors, including those related to the credit risk of the issuers.



As opposed to 2011, the use of observable market prices was used exclusively for the valuation of liabilities of subordinated emissions measured at fair value in the financial year. Thus, in contrast to the previous year in which the inactivity in the markets led to the application of valuations, a change in the method of valuation was carried out in the fourth quarter of 2012. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are evaluated according to similar financial instruments that are held as financial assets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivative financial instruments.

## 2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and fixed maturities) purchased with the intention and ability to hold them to maturity are reported in the item "financial investments." They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs it is taken account of when determining the amortized cost and shown in net income from financial investments. Coupon payments are also recognized under net interest income. A sale of these financial instruments is only allowed in cases explicitly stated in IAS 39.

## 3. Loans and advances

Non-derivative financial assets with fixed or determinable payment for which there is no active market are allocated to this category. They are measured at amortized cost. If impairment occurs it is taken account of when determining the amortized cost. If there is a difference between the amount paid and face value – and this has interest character – the effective interest method is used and the amount is accrued as profit or loss. Profits from the sale of impaired loans are recognized in the income statement in the item "net provisioning for impairment losses." Moreover, debt instruments are also stated here if there is no active market for them. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose entity has to be integrated into the consolidated accounts – done on a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights arising from the financial asset.

## 4. Financial assets available-for-sale

The category of financial assets available-for-sale contains equity participations and those financial instruments that did not qualify for any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment. For equity instruments impairment exists, among other things, if the fair value is either significantly or for a prolonged period of time below cost.

In the Group, equity instruments classified as available-for-sale are written-off when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include the appreciation in value in the income statement for equity instruments classified as available for sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments, for which reliable fair values cannot be assessed regularly, are valued at cost of acquisition less impairment losses and it is not possible to show an appreciation in value.

This kind of financial instrument is reported under the item "financial investments."

## 5. Financial liabilities

Liabilities are predominantly recognized at amortized cost. Discounted debt securities and similar obligations are measured at their present value. Financial liabilities measured at fair value are shown in the category "liabilities at fair value through profit and loss."

## Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. The effects resulting from such reclassifications are shown in the notes under (20) financial investments.

## Fair value

The fair value is the amount for which an asset could be exchanged and liability settled between knowledgeable, willing parties in an arm's length transaction.

### Quotation on an active market (level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange.

### Measurement techniques based on observable market data (level II)

When current bid and asking prices for financial instruments are unavailable, the prices of similar financial instruments provide evidence of the current fair value or are determined by accepted measurement methods enclosing observable prices or parameters (in particular present value calculation or option price model). These methods concern the majority of the OTC-derivates and non-quoted debt instruments. To determine the fair value a credit value adjustment (CVA) is necessary to reflect the counterparty risk associated with OTC derivative transactions, especially of those contractual partners with whom hedging via the credit support annexes has not yet been conducted. This amount represents the estimated fair value of a security which could be used to hedge against the credit risk of the counterparties to RBI-OTC derivative portfolios. The CVA will depend on the expected future exposure, the probability of default of the contractual partner and recovery rates. In the CVA collateral, netting agreements, termination options and other contractual factors are taken into account. The net valuation due to the changed credit risk of the counterparty is shown in note (5) net trading income, interest-based transactions.

### Measurement techniques not based on observable market data (level III)

If no observable stock exchange prices or prices are available, the fair value will be measured by adequate measurement models. The utilization of these models requires assumptions and estimates of the management. The scope of assumptions and estimates depends on the price transparency of the financial instrument, the market and the complexity of the instrument.

## Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories is built in line with these items, which include financial instruments. Categories of financial instruments on the asset side are primarily cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedge accounting, and financial investments (among this category are separately financial assets not traded on an active market and which are shown at cost of acquisition). Categories of financial instruments on the liability side are most notably trading liabilities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

Classes	Measurement			Category according to IAS 39 <sup>1</sup>
	Fair Value	Amortized Cost	Others	
<b>Asset classes</b>				
Cash reserve			Nominal value	n/a
Trading assets	X			TA
Derivatives	X			TA
Loans and advances to banks		X		LAR
Loans and advances to customers		X		LAR
of which finance lease business		X		n/a
Financial investments	X			AFVTPL
Financial investments	X			AIS
Financial investments		X		HTM
of which not traded on an active market			At Cost	AIS
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
<b>Liability classes</b>				
Trading liabilities	X			TL
Derivatives	X			TL
Deposits from banks		X		FL
Deposits from customers		X		FL
Subordinated capital		X		FL
Debt securities issued		X		FL
Debt securities issued	X			AFVTPL
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a
1 AIS	Available-for-sale	HTM	Held-to-maturity	
AFVTPL	At fair value through profit and loss	LAR	Loans and advances	
FL	Financial liabilities	TA	Held-for-trading	
		TL	Held-for-trading	

## Derivatives

The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group applies derivatives in order to meet the requirements of the clients concerning their risk management, to manage and secure risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition will depend on the type of hedging relationship.

Derivatives, which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio, do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under "derivatives" in the statement of financial position (positive fair values on the asset side and negative fair values on the liability side). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown under "derivatives" (positive fair values on the asset side and negative fair values on the liability side). Changes in valuation are recognized under net income from derivatives.

## Hedge Accounting

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the hedging relationship that the fair value or cash flow hedge is effective to a large degree

### a. Fair value hedge

Hedge Accounting according to IAS 39 applies for those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest-rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and rated to be highly effective. In other words, throughout the term of a hedge, it can be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under "derivatives" (on the assets side: positive dirty prices; on the liabilities side: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from derivatives (net income from hedge accounting).

Within the management of interest rate risks, in RBI the hedging of interest rate risk is also made on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio are hedged. Portfolios can be assets only, liabilities only or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements excluding sight or savings deposits (the rules of the EU carve-out are thereby not applied).

### b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items, are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded as separate item in other comprehensive income. The ineffective portion is recognized in profit or loss on the other hand, in the position derivative financial instruments and designated liabilities.

### c. Hedge of a net investment in a foreign operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units (IAS 39.102) are made in order to reduce differences arising from the foreign currency translation of equity. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized and shown separately in other comprehensive income. Any ineffective part of this hedge relation is recognized in net trading income. The related interest components are shown in net interest income. There are no deferred taxes calculated for the income from capital hedge due to the applied exception regulations according to IAS 12.39.

## Offsetting

In the case of identity of borrower and lender, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business.

## Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

## Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset until the reporting date (a 'loss event');
- that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets and
- the amount can be reliably estimated.

Credit risk is accounted for by making individual impairment provisions and portfolio-based impairment provisions. The latter comprise impairment provisions for portfolios of loans with identical risk profiles that are compiled under certain conditions. In the retail segment, provisions are built according to product portfolio and past due days and partly taking historical default rates into account. Individual and portfolio-based impairment provisions are not netted against corresponding receivables but are stated separately in the statement of financial position.

For credit risks related to loans and advances to customers and banks, provisions are made in the amount of expected loss according to homogeneous Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loans, taking collateral into account. Portfolio-based impairments are calculated according to valuation models that estimate expected future cash flows for the loans in the respective loan portfolio based on loss experience history. This is carried out regularly by considering economic conditions. For non-retail portfolios without a documented loss history of their own, peer group benchmark figures serve as a comparative base.

The entirety of the provision for impairment losses arising from loans reported in the statement of financial position (individual loan loss provisions and portfolio-based loan loss provisions) is shown as a separate item on the assets side, below loans and advances to banks and customers. The provision for impairment losses arising from transactions outside the statement of financial position is recorded under provisions for liabilities and charges.

## Derecognition of financial assets and liabilities

### Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset expire or when the Group has transferred the rights or if the Group has the obligation in case that certain criteria occur to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

### Securitization transactions

The Group securitizes several financial assets from transactions with private customers and business customers by selling them to a special purpose entity that issues securities to investors. The assets transferred are derecognized fully or partly. Rights to securitized financial assets can be retained in the form of junior or subordinated tranches, interest claims or other remaining claims (retained rights).

### Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The net income or expense from the repurchase of liabilities is shown under note (6) net income from derivatives and liabilities.

## Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the Group and are measured like the item in the statement of financial position where they are shown. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as deposits from banks or deposits from customers depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under "loans and advances to banks" or "loans and advances to customers."

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements are accrued in a straight line over their term to maturity and are shown under net interest income.

## Securities lending

Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided for securities lending transactions are shown as a claim and collateral received are shown as a liability.

## Leasing

Leases are classified according to their contractual structure as follows:

### Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or customers. The loan amount is the amount of the net investment. The proceeds from the finance lease are distributed at a constant periodic rate of the outstanding net investment in the leases. Under a finance lease the lessee holds assets that are shown under the relevant tangible fixed asset item, which corresponds to a lease liability.

### Operating leases

An operating lease occurs when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is amortized on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of leasing contract and reported as administrative expenses.

## Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that are not valued at equity are shown under financial investments and are measured at amortized cost if no shares prices are available.

Other shareholdings are categorized as "financial assets available-for-sale" upon initial recognition. Changes in value are therefore recognized in other comprehensive income. Impairment is shown in net income from financial investments.

## Intangible fixed assets

Under this item, internally developed and acquired software, brand rights, acquired customer bases and especially goodwill are stated. Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets (e.g. brand rights) without definite useful lives are tested for impairment at each reporting date and also during the year whenever trigger events occur. Whenever events or changes in circumstances indicate that the expected benefit no longer exists, impairment must be made pursuant to IAS 36.

Acquired intangible fixed assets (software, customer base) with determinable useful lives are capitalized at acquisition cost and amortized over their estimated useful lives.

Internally developed intangible fixed assets comprise exclusively of software. Software is capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the enterprise and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred. The useful life of software is between four and six years and may be longer for major software projects. The useful life of the acquired customer base was set at 20 years in the retail segment of Raiffeisen Bank Aval JSC. For the acquired customer base of Polbank EFG S.A. a useful life of 10 years resulted from the purchase price allocation.

## Tangible fixed assets

Tangible fixed assets are measured at cost of acquisition or conversion less scheduled depreciation. The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 - 50
Office furniture and equipment	5 - 10
Hardware	3 - 5

Land is not subject to scheduled depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually and any necessary future change of estimates are taken into account. If a permanent impairment is to be expected, extraordinary write-downs are carried out. In the event that the reason for the write-down no longer applies, a write-up will take place up to the amount of the amortized cost of the asset.

The resulting gain or loss from the sale of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income. When assets are retired, the remaining carrying amount is also recognized there.

## Investment property

This means property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Income resulting from investment property is shown in other net operating income.

## Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

## Non-current assets held for sale and discontinued operations

Non-current assets and discontinued operations are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or discontinued operation) is immediately available for sale and furthermore that the management has committed itself to a sale. Moreover, the sale transaction must be completed within 12 months.

Non-current assets and discontinued operations classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets.

## Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate. Long-term provisions are recognized at their present value.

## Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 - Employee Benefits.

The actuarial calculation of pension obligations for active employees is based on the following assumptions:

Per cent	2012	2011
Interest rate	3.5	4.5
Effective salary increase for active employees	2.5	3.0
Individual career trend for active employees	0.5	-
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.25	4.5

Calculations are based on an assumed retirement accession age of 65 years for men and 62 years for women and are subject to transitional statutory regulations and special arrangements in individual contracts.

Actuarial gains or losses calculated for pension obligations are recognized immediately in the income statement. No use was made of the corridor method according to IAS 19.92.

The actuarial computation of severance payments and anniversary bonuses is based on the following assumptions:

Per cent	2012	2011
Interest rate	3.5	4.5
Average increase in salary	2.5	3.0
Individual career trend	0.5	-

The biometrical basis for the calculation of provisions for pensions, severance payments and anniversary bonuses of Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

## Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

## Employee compensation plans

### Variable Remuneration – special remuneration policies

In RBI variable compensation is based on bonus pools on the bank or profit center level. Every variable pay system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the fiscal year 2011, the general and specific principles, as represented in the general HR part, for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("risk personnel") are applied:

- 60 per cent of the annual bonus will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year. An exception to this are the banks in Bulgaria, with 40 percent up-front portion and a retention period of two years, and the Czech Republic with a holding period of 1.5 years.
- 40 per cent of the annual bonus will be deferred over a period of three (in Austria, five) years. Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The allocation, the claim and the payment of the variable remuneration (including the payment of a portion of the deferred bonus) depend on the following criteria:

- earning a net profit,
- the achievement of the legally required hard core tier 1 ratio of the RBI Group,
- additionally, in Group units on the local level, achieving the legally required local minimum "core tier 1 ratio excluding buffers," and



- the performance of the business area and the affected person.

The obligation from number 11 of the annex to Section 39b of the Austrian Banking Act, under which a proportion of at least 50 per cent of variable compensation for risk personnel should take the form of shares or equivalent non-cash payment instruments, is covered in the RBI Group by a stock phantom plan. Proportionally 50 per cent of the "Up-front" and "deferred" bonus section will be divided by the average closing price of RBI's shares on the Vienna Stock Exchange for that year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares will be determined. This amount will be fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares will be multiplied by RBI's share price for the previous fiscal year. The resulting cash amount will be paid when the next available monthly salary is paid.

These rules are valid unless any applicable local laws prescribe a different procedure.

Further details of the employee compensation plans are described in the management report.

### Share-based compensation

Except for the year 2010 the Management Board, with approval by the Supervisory Board, of RBI AG has approved the existence of a share incentive program (SIP) which offers performance based allotments of shares to eligible employees at home and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the share of the RBI AG compared to the total shareholder return of the shares of companies in DJ EURO STOXX Banks index after a five-year holding period.

Expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 (share-based payment), charged to equity and shown in note (34) equity.

### Subordinated capital

This item comprises subordinated capital and supplementary capital. Liabilities documented or undocumented are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in own funds which are provided by a third-party and are available for the company for at least eight years, for which interest is paid only from the profit and which can be repaid in the case of solvency only after all other debtors are satisfied.

### Net interest income

Interest and interest-like income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and similar income calculated as interest are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest expenses and interest-like expenses mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period.

### Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

### Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

## General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses for tangible and intangible fixed assets.

## Income taxes

Current taxes are calculated on the basis of taxable income of the current year. The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are recognized and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be achieved against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted.

Income tax credits and income tax obligations are recorded separately under the item "other assets" and "tax provisions" respectively.

Current and deferred taxes are recognized as profit or loss. In case that they are linked to items which are recognized in other comprehensive income, current and deferred taxes are also directly recognized in other comprehensive income.

## Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Other comprehensive income contains currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items.

## Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

## Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make payments that compensate the party to whom the guarantee is issued for a loss arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of the debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent valuations the credit commitment has to be presented as provision according to IAS 37.

## Contingent liabilities and commitments

The Group has contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor to fulfill the obligation of a third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

## Own shares

Own shares of RBI AG at the reporting date, are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

## Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the company through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

## Segment reporting

Notes on segment reporting are to be found in the chapter segment reports.

## Notes to the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on the issue of credit risk, country risk, concentration risk, market risk and liquidity risk.

## Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed under note (50) capital management and regulatory own funds according to the Austrian Banking Act.

# Notes to the income statement

## (1) Income statement according to measurement categories

€ 000	2012	2011
<b>Net gains (losses) on financial assets and liabilities held-for-trading</b>	<b>537,374</b>	<b>778,573</b>
<b>Financial assets and liabilities at fair value through profit or loss</b>	<b>232,167</b>	<b>378,787</b>
Interest income	388,805	330,247
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(156,639)	48,540
<b>Financial assets available-for-sale</b>	<b>177,146</b>	<b>(49,875)</b>
Interest income	14,792	48,439
Net realized gains (losses) on financial assets available-for-sale	184,628	13,752
Impairment on financial assets available-for-sale	(22,274)	(112,066)
<b>Loans and advances</b>	<b>4,477,847</b>	<b>4,430,597</b>
Interest income	5,486,676	5,494,091
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	8,894	8,147
Impairment on financial assets not measured at fair value through profit and loss	(1,017,724)	(1,071,641)
<b>Financial assets held-to-maturity</b>	<b>225,391</b>	<b>534,990</b>
Interest income	224,503	442,795
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	1,062	94,364
Impairment on financial assets not measured at fair value through profit and loss	(174)	(2,169)
<b>Financial liabilities</b>	<b>(2,894,839)</b>	<b>(2,937,351)</b>
Interest expenses	(3,004,639)	(2,937,351)
Income from repurchase of liabilities	109,801	0
<b>Derivatives (hedging)</b>	<b>8,392</b>	<b>23,729</b>
Net interest income	(190)	(6,104)
Net gains (losses) from hedge accounting	8,582	29,834
<b>Net revaluations from exchange differences</b>	<b>105,437</b>	<b>79,072</b>
<b>Other operating income/expenses</b>	<b>(1,837,299)</b>	<b>(1,865,166)</b>
<b>Profit before tax from continuing operations</b>	<b>1,031,616</b>	<b>1,373,355</b>

## (2) Net interest income

The net interest income position includes interest income and expenses from items of banking business, dividend income, and fees and commissions with interest-like characteristics.

€ 000	2012	2011
<b>Interest and interest-like income, total</b>	<b>6,478,884</b>	<b>6,614,417</b>
Interest income	6,435,039	6,529,231
from balances at central banks	75,645	61,796
from loans and advances to banks	296,742	441,781
from loans and advances to customers	4,875,061	4,743,939
from financial investments	608,961	770,497
from leasing claims	216,663	222,377
from derivative financial instruments (non-trading), net	361,967	288,841
Current income	19,139	50,983
from shares and other variable-yield securities	4,347	2,544
from shares in affiliated companies	10,269	44,853
from other interests	4,523	3,586
Interest-like income	24,706	34,203
<b>Current income from associates</b>	<b>50</b>	<b>89</b>
<b>Interest expenses and interest-like expenses, total</b>	<b>(3,006,780)</b>	<b>(2,947,356)</b>
Interest expenses	(2,964,061)	(2,905,336)
on deposits from central banks	(2,141)	(10,004)
on deposits from banks	(663,739)	(649,222)
on deposits from customers	(1,632,549)	(1,410,681)
on debt securities issued	(454,488)	(616,433)
on subordinated capital	(211,144)	(218,995)
Interest-like expenses	(42,719)	(42,020)
<b>Net interest income</b>	<b>3,472,155</b>	<b>3,667,150</b>

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 205,361 thousand (2011: € 204,960 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

## (3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

€ 000	2012	2011
<b>Individual loan loss provisions</b>	<b>(1,181,821)</b>	<b>(1,176,630)</b>
Allocation to provisions for impairment losses	(1,661,146)	(1,678,462)
Release of provisions for impairment losses	568,284	558,700
Direct write-downs	(168,614)	(132,780)
Income received on written-down claims	79,655	75,912
<b>Portfolio-based loan loss provisions</b>	<b>164,103</b>	<b>104,932</b>
Allocation to provisions for impairment losses	(361,008)	(280,577)
Release of provisions for impairment losses	525,111	385,510
<b>Gains from loan termination or sale</b>	<b>8,894</b>	<b>8,147</b>
<b>Total</b>	<b>(1,008,823)</b>	<b>(1,063,551)</b>

Details on risk provisions are shown under note (17) impairment losses on loans and advances.

## (4) Net fee and commission income

€ 000	2012	2011
Payment transfer business	662,949	611,021
Loan and guarantee business	246,857	280,453
Securities business	118,210	118,790
Foreign currency, notes/coins, and precious metals business	348,513	329,765
Management of investment and pension funds	22,751	26,550
Sale of own and third party products	45,415	41,323
Credit derivatives business	(16)	1,462
Other banking services	71,721	80,563
<b>Total</b>	<b>1,516,399</b>	<b>1,489,927</b>

## (5) Net trading income

The position net trading income includes interest and dividend income, refinancing costs, commissions and any changes in fair value of trading portfolios.

€ 000	2012	2011
Interest-based transactions	34,062	170,643
Currency-based transactions	209,239	107,334
Equity-/index-based transactions	8,839	4,583
Credit derivatives business	(12,748)	2,132
Other transactions	(24,706)	78,569
<b>Total</b>	<b>214,686</b>	<b>363,261</b>

A change in the estimation of default probability for the counterparty risk led to a decrease of € 30,423 thousand in income from interest-based transactions.

Currency-based transactions contained an effect due to the application of IAS 29 hyperinflation in Belarus in the amount of minus € 20,648 thousand (2011: minus € 84.345 thousand).

## (6) Net income from derivatives and liabilities

€ 000	2012	2011
Net income from hedge accounting	8,582	3,373
Net income from credit derivatives	6,863	31,669
Net income from other derivatives	59,105	194,231
Net income from liabilities designated at fair value	(311,813)	183,555
Income from repurchase of liabilities	109,801	0
<b>Total</b>	<b>(127,462)</b>	<b>412,828</b>

Net income from hedge accounting includes on the one hand, a valuation gain from derivatives in fair value hedges of € 246.813 thousand (2011: € 87.529 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of minus € 238.231 thousand (2011: minus € 84.156 thousand).

Net income from other derivatives includes valuation results from those derivatives, which are held to hedge against market risks (except trading assets/liabilities). They are based on an inhomogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a loss from changes in own credit risk amounting to € 144.649 thousand (2011: profit of € 248.491 thousand) and a negative effect from changes in market interest rates.

In the reporting year, an income from the repurchase of liabilities of € 109,801 thousand was generated. This item includes income from the repurchase of hybrid bonds (nominal value of € 357,806 thousand) amounting to € 113,291 thousand less transaction costs.

## (7) Net income from financial investments

The position net income from financial investments comprises valuation results and net proceeds from securities of the financial investment portfolio (held-to-maturity), from securities at fair value through profit and loss, and equity participations which include shares in affiliated companies, companies valued at equity, and other companies.

€ 000	2012	2011
<b>Net income from securities held-to-maturity</b>	<b>888</b>	<b>92,195</b>
Net valuations of securities	(174)	(2,169)
Net proceeds from sales of securities	1,062	94,364
<b>Net income from equity participations</b>	<b>(691)</b>	<b>(97,843)</b>
Net valuations of equity participations	(22,274)	(111,595)
Net proceeds from sales of equity participations	21,583	13,752
<b>Net income from securities at fair value through profit and loss</b>	<b>155,168</b>	<b>(134,958)</b>
Net valuations of securities	73,410	(124,159)
Net proceeds from sales of securities	81,758	(10,799)
<b>Net income from available-for-sale securities</b>	<b>163,045</b>	<b>(471)</b>
<b>Total</b>	<b>318,410</b>	<b>(141,077)</b>

The sale of bonds of the securities portfolio available-for-sale of the Group head office led to net proceeds of € 163,045 thousand.

## (8) General administrative expenses

€ 000	2012	2011
<b>Staff expenses</b>	<b>(1,606,342)</b>	<b>(1,539,615)</b>
Wages and salaries	(1,235,213)	(1,192,361)
Social security costs and staff-related taxes	(293,153)	(281,294)
Other voluntary social expenses	(40,813)	(42,928)
Expenses for pension and other benefits	(29,800)	(15,822)
Expenses on share incentive program (SIP)	(7,364)	(7,210)
<b>Other administrative expenses</b>	<b>(1,256,815)</b>	<b>(1,209,106)</b>
Office space expenses	(352,350)	(331,113)
IT expenses	(257,501)	(222,533)
Communication expenses	(89,548)	(92,992)
Legal, advisory and consulting expenses	(116,733)	(118,699)
Advertising, PR and promotional expenses	(101,959)	(112,967)
Deposit insurance fees	(93,208)	(84,994)
Office supplies	(29,943)	(31,668)
Car expenses	(22,404)	(20,848)
Security expenses	(46,447)	(50,530)
Traveling expenses	(23,875)	(25,200)
Training expenses for staff	(16,103)	(18,803)
Sundry administrative expenses	(106,743)	(98,760)
<b>Depreciation of intangible and tangible fixed assets</b>	<b>(400,693)</b>	<b>(371,718)</b>
Tangible fixed assets	(188,199)	(194,297)
Intangible fixed assets	(179,072)	(142,934)
Leased assets (operating lease)	(33,422)	(34,488)
<b>Total</b>	<b>(3,263,850)</b>	<b>(3,120,440)</b>

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses for the audit of financial statements amounting to € 8.427 thousand (2011: € 8.018 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 4.682 thousand (2011: € 5.035 thousand). Thereof, € 2.418 thousand (2011: € 2.312 thousand) account for the Group auditor for the audit of the financial statements and € 1.885 thousand (2011: € 1.942 thousand) account for the other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 7.352 thousand (2011: € 5.854 thousand) which relates to scheduled amortization of the customer base.

The depreciation of tangible and intangible fixed assets includes an impairment of € 37.122 thousand (2011: € 20.040 thousand).

## (9) Other net operating income

€ 000	2012	2011
Net income arising from non-banking activities	44,695	30,730
Sales revenues from non-banking activities	721,054	715,015
Expenses arising from non-banking activities	(676,359)	(684,285)
Net income from additional leasing services	8,912	(6,438)
Revenues from additional leasing services	80,442	82,958
Expenses from additional leasing services	(71,530)	(89,396)
Rental income from operating lease (vehicles and equipment)	32,780	38,086
Rental income from investment property incl. operating lease (real estate)	22,952	21,037
Net proceeds from disposal of tangible and intangible fixed assets	(8,979)	(9,421)
Other taxes	(189,690)	(130,883)
hereof special bank levies	(157,102)	(93,429)
Impairment of goodwill	(38,463)	(187,318)
Income from release of negative goodwill	0	299
Net expense from allocation and release of other provisions	19,374	(11,558)
Sundry operating income	59,928	69,628
Sundry operating expenses	(53,545)	(46,329)
<b>Total</b>	<b>(102,035)</b>	<b>(232,167)</b>

The other net operating income includes impairment of goodwill amounting to € 38,463 thousand especially for Group units from Ukraine, Bosnia and Herzegovina, Croatia and Hungary. In 2011, impairment of goodwill amounted to € 187,318 thousand for Group units from the Ukraine, Hungary and Slovenia.

## (10) Net income from disposal of group assets

In the reporting period, eight subsidiaries were excluded from the consolidated group due to materiality reasons. Moreover, one subsidiary was excluded due to the end of operations and another one due to sale. Net income from this disposal of Group assets amounted to € 12.137 thousand (2011: minus € 2.575 thousand).

## (11) Income taxes

€ 000	2012	2011
Current income taxes	(264,049)	(340,730)
Austria	(16,317)	(24,519)
Foreign	(247,733)	(316,211)
Deferred taxes	(19,884)	(58,512)
<b>Total</b>	<b>(283,933)</b>	<b>(399,243)</b>

RBI AG and eight of its domestic subsidiaries are members of a joint tax entity headed by Raiffeisen Zentralbank Österreich Aktiengesellschaft.



The following reconciliation shows the relation between profit before tax and the effective tax burden:

€ 000	2012	2011
<b>Profit before tax</b>	<b>1,031,616</b>	<b>1,373,355</b>
<b>Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent</b>	<b>(257,904)</b>	<b>(343,339)</b>
Effect of divergent foreign tax rates	60,555	92,334
Tax decrease because of tax-exempted income from equity participations and other income	52,106	156,585
Tax increase because of non-deductible expenses	(81,783)	(132,282)
Other tax deductions and tax increases	(56,906)	(172,540)
<b>Effective tax burden</b>	<b>(283,933)</b>	<b>(399,243)</b>
<b>Tax rate in per cent</b>	<b>27.5</b>	<b>29.1</b>

Other tax deductions and tax increases include mainly deferred tax assets built on tax loss carry-forwards.

## (12) Earnings per share

€ 000	2012	2011
Consolidated profit	725,381	967,663
Less dividend for participation capital	(200,000)	(200,000)
<b>Adapted consolidated profit</b>	<b>525,381</b>	<b>767,663</b>
Average number of ordinary shares outstanding in thousand	194,859	194,552
<b>Earnings per share in €</b>	<b>2.70</b>	<b>3.95</b>

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

# Notes to the statement of financial position

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

Assets according to measurement categories € 000	2012	2011 <sup>1</sup>
<b>Cash reserve</b>	<b>6,556,723</b>	<b>11,401,747</b>
<b>Trading assets</b>	<b>10,516,717</b>	<b>11,595,130</b>
Positive fair values of derivative financial instruments	7,519,622	8,271,215
Shares and other variable-yield securities	277,250	209,935
Bonds, notes and other fixed-interest securities	2,719,843	3,107,108
Call/time deposits from trading purposes	2	6,872
<b>Financial assets at fair value through profit or loss</b>	<b>8,348,221</b>	<b>7,359,794</b>
Shares and other variable-yield securities	158,203	254,094
Bonds, notes and other fixed-interest securities	8,190,018	7,105,700
<b>Investments in associates</b>	<b>4,935</b>	<b>5,017</b>
<b>Financial assets available-for-sale</b>	<b>455,940</b>	<b>3,866,077</b>
Investments in other affiliated companies	338,233	291,473
Other interests	117,707	152,535
Bonds, notes and other fixed-interest securities	0	3,422,069
<b>Loans and advances</b>	<b>102,017,421</b>	<b>104,405,377</b>
Loans and advances to banks	22,323,046	25,746,290
Loans and advances to customers	83,298,327	81,538,596
Other non-derivative financial assets	2,037,945	2,173,703
Impairment losses on loans and advances	[5,641,897]	[5,053,212]
<b>Financial assets held-to-maturity</b>	<b>4,596,495</b>	<b>5,348,485</b>
Bonds, notes and other fixed-interest securities	4,551,298	5,309,092
Purchased loans	45,197	39,393
<b>Derivatives (hedging)</b>	<b>701,663</b>	<b>426,350</b>
Positive fair values of derivatives (hedging)	701,663	426,350
<b>Other assets</b>	<b>2,917,907</b>	<b>2,577,025</b>
Intangible and tangible fixed assets	2,917,907	2,577,025
<b>Total assets</b>	<b>136,116,023</b>	<b>146,985,003</b>

<sup>1</sup> Due to separate presentation of cash reserve as of 2012 the previous year figures were adapted.

Equity and liabilities according to measurement categories € 000	2012	2011 <sup>1</sup>
<b>Trading liabilities</b>	<b>9,176,113</b>	<b>10,463,944</b>
Negative fair values of derivative financial instruments	7,798,924	9,154,948
Call/time deposits from trading purposes	10,045	0
Short-selling of trading assets	622,164	565,628
Certificates issued	744,980	743,369
<b>Financial liabilities</b>	<b>111,868,331</b>	<b>121,425,703</b>
Deposits from banks	30,186,449	37,991,809
Deposits from customers	66,297,151	66,747,234
Debt securities issued	10,812,467	11,020,903
Subordinated capital	3,056,925	4,150,733
Other non-derivative financial liabilities	1,515,338	1,515,024
<b>Liabilities at fair value through profit and loss</b>	<b>3,357,758</b>	<b>3,345,911</b>
Debt securities issued	2,477,634	2,466,571
Subordinated capital	880,124	879,340
<b>Derivatives (hedging)</b>	<b>119,933</b>	<b>42,702</b>
Negative fair values of derivatives (hedging)	119,933	42,702
<b>Provisions for liabilities and charges</b>	<b>720,996</b>	<b>770,957</b>
<b>Equity</b>	<b>10,872,893</b>	<b>10,935,786</b>
<b>Total equity and liabilities</b>	<b>136,116,023</b>	<b>146,985,003</b>

## (14) Cash reserve

€ 000	2012	2011
Cash in hand	2,284,449	2,054,026
Balances at central banks	4,272,275	9,347,721
<b>Total</b>	<b>6,556,723</b>	<b>11,401,747</b>

## (15) Loans and advances to banks

€ 000	2012	2011
Giro and clearing business	1,923,107	2,482,117
Money market business	17,757,296	19,177,856
Loans to banks	2,129,981	3,079,250
Purchased loans	157,205	120,374
Leasing claims	395	414
Claims evidenced by paper	355,317	888,032
<b>Total</b>	<b>22,323,301</b>	<b>25,748,044</b>

Of the purchased loans amounting to € 157.205 thousand, € 156.949 thousand are assigned to the measurement category loans and advances (2011: € 118.620 thousand) and € 255 thousand to the measurement category held-to-maturity (2011: € 1.754 thousand).

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

€ 000	2012	2011
Austria	10,046,024	13,126,727
Foreign	12,277,277	12,621,316
<b>Total</b>	<b>22,323,301</b>	<b>25,748,044</b>

## (16) Loans and advances to customers

€ 000	2012	2011
Credit business	53,802,987	53,945,245
Money market business	4,182,057	4,883,948
Mortgage loans	21,018,084	17,944,342
Purchased loans	1,073,785	1,234,357
Leasing claims	2,908,987	3,064,394
Claims evidenced by paper	357,369	503,949
<b>Total</b>	<b>83,343,269</b>	<b>81,576,235</b>

Purchased loans amounting to € 1.028.844 thousand (2011: € 1.196.718 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 44.941 thousand (2011: € 37.639 thousand).

€ 000	2012	2011
Sovereigns	1,387,000	1,356,087
Corporate customers - large corporates	52,212,979	55,222,286
Corporate customers - mid market	3,271,514	3,674,424
Retail customers - private individuals	23,489,033	19,004,397
Retail customers - small and medium-sized entities	2,945,655	2,291,056
Other	37,088	27,986
<b>Total</b>	<b>83,343,269</b>	<b>81,576,235</b>

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

€ 000	2012	2011
Austria	8,399,306	7,854,741
Foreign	74,943,963	73,721,494
<b>Total</b>	<b>83,343,269</b>	<b>81,576,235</b>

## (17) Impairment losses on loans and advances

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognizable credit risks. A table with the development of the impairment losses on loans and advances can be found in the risk report. Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

€ 000	2012	2011
Banks	157,719	227,643
Sovereigns	11,336	5,912
Corporate customers - large corporates	2,835,571	2,619,090
Corporate customers - mid market	387,434	427,176
Retail customers - private individuals	1,881,331	1,524,426
Retail customers - small and medium-sized entities	368,507	248,965
<b>Total</b>	<b>5,641,897</b>	<b>5,053,212</b>

Loans and advances and loan loss provisions according to Basel II asset classes are shown in the following table:

31/12/2012						
€ 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provision	Portfolio-based loan loss provisions	Net carrying amount
Banks	22,225,565	22,323,301	200,037	145,805	11,914	22,165,582
Sovereigns	1,237,968	1,387,000	56,692	11,336	0	1,375,664
Corporate customers - large corporates	49,204,748	52,250,067	4,410,079	2,540,068	295,502	49,413,981
Corporate customers - mid market	2,912,388	3,271,514	607,980	361,864	25,570	2,884,080
Retail customers - private individuals	21,967,758	23,489,033	2,179,351	1,420,135	461,196	21,608,217
Retail customers - small and medium-sized entities	2,666,858	2,945,655	421,110	259,699	108,808	2,577,148
<b>Total</b>	<b>100,215,287</b>	<b>105,666,570</b>	<b>7,875,250</b>	<b>4,738,907</b>	<b>902,990</b>	<b>100,024,672</b>

31/12/2011						
€ 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provision	Portfolio-based loan loss provisions	Net carrying amount
Banks	25,499,535	25,748,044	231,069	208,591	19,052	25,520,401
Sovereigns	1,263,107	1,356,087	11,277	5,912	0	1,350,175
Corporate customers - large corporates	51,244,569	55,250,272	4,075,045	2,245,407	373,682	52,631,183
Corporate customers - mid market	3,277,301	3,674,424	643,956	394,552	32,624	3,247,248
Retail customers - private individuals	18,080,500	19,004,397	2,306,586	1,281,724	242,701	17,479,972
Retail customers - small and medium-sized entities	2,117,024	2,291,056	333,803	217,414	31,551	2,042,091
<b>Total</b>	<b>101,482,036</b>	<b>107,324,280</b>	<b>7,601,736</b>	<b>4,353,600</b>	<b>699,610</b>	<b>102,271,070</b>

## Impaired financial assets

31/12/2012	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	200,037	145,805	54,232	154	160
Sovereigns	56,692	11,336	45,356	0	3,077
Corporate customers - large corporates	4,410,079	2,540,068	1,870,011	1,118,896	110,234
Corporate customers - mid market	607,980	361,864	246,116	213,670	20,280
Retail customers - private individuals	2,179,351	1,420,135	759,216	678,392	63,779
Retail customers - small and medium-sized entities	421,110	259,699	161,411	184,326	7,831
<b>Total</b>	<b>7,875,250</b>	<b>4,738,907</b>	<b>3,136,342</b>	<b>2,195,438</b>	<b>205,361</b>

ILLP: individual loan loss provisions

31/12/2011	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	231,069	208,591	22,478	0	1,514
Sovereigns	11,277	5,912	5,365	5,224	118
Corporate customers - large corporates	4,075,045	2,245,407	1,829,638	1,272,792	110,715
Corporate customers - mid market	643,956	394,552	249,404	221,291	24,752
Retail customers - private individuals	2,306,586	1,281,724	1,024,862	800,645	58,958
Retail customers - small and medium-sized entities	333,803	217,414	116,389	80,951	8,902
<b>Total</b>	<b>7,601,736</b>	<b>4,353,600</b>	<b>3,248,136</b>	<b>2,380,903</b>	<b>204,960</b>

ILLP: individual loan loss provisions

## (18) Trading assets

€ 000	2012	2011
<b>Bonds, notes and other fixed-interest securities</b>	<b>2,719,843</b>	<b>3,107,108</b>
Treasury bills and bills of public authorities eligible for refinancing	1,070,506	889,762
Other securities issued by the public sector	742,960	430,402
Bonds and notes of non-public issuers	906,378	1,786,944
<b>Shares and other variable-yield securities</b>	<b>277,250</b>	<b>209,935</b>
Shares	255,635	155,296
Mutual funds	7,333	41,818
Other variable-yield securities	14,282	12,821
<b>Positive fair values of derivative financial instruments</b>	<b>6,816,197</b>	<b>7,292,755</b>
Interest-based transactions	6,000,512	6,391,197
Currency-based transactions	690,416	717,528
Equity-/index-based transactions	106,630	81,985
Credit derivatives business	14,992	89,123
Other transactions	3,647	12,923
<b>Call/time deposits from trading purposes</b>	<b>2</b>	<b>6,872</b>
<b>Total</b>	<b>9,813,293</b>	<b>10,616,671</b>

Pledged securities ready to be sold or repledged by transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) transferred assets, genuine sale and repurchase agreements.

## (19) Derivatives

€ 000	2012	2011
<b>Positive fair values of derivatives in fair value hedges (IAS 39)</b>	<b>697,885</b>	<b>426,350</b>
Interest-based transactions	697,885	426,350
<b>Positive fair values of derivatives in cash flow hedges (IAS 39)</b>	<b>3,779</b>	<b>0</b>
Currency-based transactions	3,779	0
<b>Positive fair values of credit derivatives</b>	<b>1,206</b>	<b>74,723</b>
<b>Positive fair values of other derivatives</b>	<b>702,218</b>	<b>903,736</b>
Interest-based transactions	548,071	724,937
Currency-based transactions	153,987	178,682
Equity-/index-based transactions	0	117
Other transactions	160	0
<b>Total</b>	<b>1,405,088</b>	<b>1,404,809</b>

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and debt securities issued which are to be hedged against interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

This item also includes the positive fair values of derivative financial instruments that are neither held for trading nor constitute fair value hedging instruments under IAS 39.

The time periods in which the hedged cash flows from assets are expected to occur and affect the statement of comprehensive income are as below:

€ 000	2012	2011
1 year	139	0
More than 1 year, up to 5 years	3,335	0
More than 5 years	273,014	0

In 2011, there were no hedged cash flows from assets.

## (20) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

€ 000	2012	2011
<b>Bonds, notes and other fixed-interest securities</b>	<b>12,741,316</b>	<b>15,836,862</b>
Treasury bills and bills of public authorities eligible for refinancing	6,456,392	7,675,075
Other securities issued by the public sector	3,923,146	3,856,656
Bonds and notes of non-public issuers	2,341,446	4,284,813
Other	20,333	20,318
<b>Shares and other variable-yield securities</b>	<b>158,203</b>	<b>254,094</b>
Shares	30,020	85,302
Mutual funds	124,893	165,452
Other variable-yield securities	3,290	3,340
<b>Equity participations</b>	<b>455,941</b>	<b>444,008</b>
Interest in affiliated companies	338,233	291,474
Other interests	117,707	152,535
<b>Total</b>	<b>13,355,460</b>	<b>16,534,964</b>

Pledged securities ready to be sold or repledged by the transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) transferred assets, genuine sale and repurchase agreements.

The carrying amount of the securities reclassified into the category held-to-maturity amounted at the date of reclassifications to € 452.188 thousand. Thereof, reclassifications in 2008 amounted to € 371.686 thousand and in 2011 € 80.502 thousand. As of 31 December 2012, the carrying amount was € 301.458 thousand and the fair value totaled € 310.419 thousand. In 2012, a result from the reclassified securities of € 12.074 thousand (2011: € 13.955 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 13.122 thousand (2011: € 4.812 thousand) would have arisen.

The carrying amount of the securities reclassified into the category loans and advances amounted to € 1.559.682 thousand at the date of reclassification in 2008.

Securities that were reclassified from held-to-maturity into the category of financial assets available-for-sale in the previous year were sold in the reporting period (nominal value € 3,165,000 thousand).

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 61.345 thousand (2011: € 87.946 thousand).

For the following subsidiaries syndicate contracts between RBI AG and the respective shareholders exist: Raiffeisenbank a.s., Prague and Raiffeisenbank Austria d.d., Zagreb. These syndicate contracts regulate especially purchase options between direct and indirect shareholders.

The syndicate contracts expire automatically if control over the company changes - also in the case of a takeover bid. The following agreement has been made with the European Bank for Reconstruction and Development (EBRD) regarding Priorbank, JSC (Belarus): If control over the company changes, EBRD has the option to sell all shares held in Priorbank to the company.

## (21) Investments in associates

€ 000	2012	2011
Investments in associates	4,935	5,017

Financial information on associated companies is as follows:

€ 000	Total assets	Total revenues	Profit/loss after tax	Shareholders' equity
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	75,195	4,944	130	14,810

The above mentioned information is based on preliminary figures of the current financial year. Further information regarding associated companies is stated under note (57) list of equity participations.

## (22) Intangible fixed assets

€ 000	2012	2011
Goodwill	557,607	408,456
Software	565,634	530,859
Other intangible fixed assets	197,770	126,234
<b>Total</b>	<b>1,321,011</b>	<b>1,065,548</b>

The item "software" comprises acquired software amounting to € 485.979 thousand (2011: € 471.627 thousand) and developed software amounting to € 79.654 thousand (2011: € 59.232 thousand).

The carrying amount of goodwill breaks down on the following cash generating units as follows:

€ 000	2012	2011
ZAO Raiffeisenbank, Moscow	266,325	257,171
Raiffeisen Bank Polska, Warsaw	175,052	0
Raiffeisen Bank Sh.a., Tirane	50,849	52,650
Raiffeisenbank a.s., Prague	40,700	39,697
Raiffeisen Bank Aval JSC, Kiev	0	29,138
Ukrainian Processing Center PJSC, Kiev	15,028	15,377
Other	9,653	14,424
<b>Total</b>	<b>557,607</b>	<b>408,456</b>

In 2012, impairment of goodwill amounting to € 38,463 thousand was made in Ukraine, Bosnia and Herzegovina, Croatia and several other smaller Group units. Information about the impairment tests can be found in the chapter business combinations.

## (23) Tangible fixed assets

€ 000	2012	2011
Land and buildings used by the Group for own purpose	721,830	610,056
Other land and buildings (investment property)	149,950	121,006
Office furniture, equipment and other tangible fixed assets	428,861	448,876
Leased assets (operating lease)	296,255	331,539
<b>Total</b>	<b>1,596,896</b>	<b>1,511,477</b>

The fair value of investment property totaled € 151.657 thousand (2011: € 122.804 thousand).

## (24) Development of fixed assets

€ 000	Cost of acquisition or conversion						As of 31/12/2012
	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	
<b>Intangible fixed assets</b>	<b>1,999,984</b>	<b>284,664</b>	<b>23,184</b>	<b>201,244</b>	<b>(68,278)</b>	<b>30</b>	<b>2,440,828</b>
Goodwill	635,255	177,116	4,742	0	0	0	817,113
Software	1,182,429	41,175	18,839	182,910	(67,480)	(21)	1,357,852
Other intangible fixed assets	182,300	66,373	(397)	18,334	(798)	51	265,863
<b>Tangible fixed assets</b>	<b>2,587,956</b>	<b>78,085</b>	<b>25,051</b>	<b>329,896</b>	<b>(233,793)</b>	<b>(30)</b>	<b>2,787,165</b>
Land and buildings used by the Group for own purpose	810,536	38,154	8,287	137,832	(31,821)	(2,602)	960,386
Other land and buildings	138,198	1	(116)	8,129	(117)	27,632	173,727
of which land value of developed land	13,670	0	(128)	0	0	0	13,542
Office furniture, equipment and other tangible fixed assets	1,230,437	39,930	15,071	129,914	(144,313)	(1,209)	1,269,830
Leased assets (operating lease)	408,785	0	1,809	54,021	(57,542)	(23,851)	383,222
<b>Total</b>	<b>4,587,940</b>	<b>362,749</b>	<b>48,235</b>	<b>531,140</b>	<b>(302,071)</b>	<b>0</b>	<b>5,227,993</b>



€ 000	Write-ups, amortization, depreciation, impairment			Carrying amount
	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2012
<b>Intangible fixed assets</b>	<b>(1,119,817)</b>	<b>0</b>	<b>(217,535)</b>	<b>1,321,011</b>
Goodwill	(259,506)	0	(38,463)	557,607
Software	(792,218)	0	(167,852)	565,634
Other intangible fixed assets	(68,093)	0	(11,220)	197,770
<b>Tangible fixed assets</b>	<b>(1,190,269)</b>	<b>8,271</b>	<b>(221,621)</b>	<b>1,596,896</b>
Land and buildings used by the Group for own purpose	(238,556)	0	(40,590)	721,830
Other land and buildings	(23,777)	0	(4,719)	149,950
of which land value of developed land	(6)	0	0	13,536
Office furniture, equipment and other tangible fixed assets	(840,969)	8,269	(142,890)	428,861
Leased assets (operating lease)	(86,967)	2	(33,422)	296,255
<b>Total</b>	<b>(2,310,086)</b>	<b>8,271</b>	<b>(439,156)</b>	<b>2,917,907</b>

€ 000	Cost of acquisition or conversion						As of
	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	31/12/2011
<b>Intangible fixed assets</b>	<b>1,836,783</b>	<b>(1,360)</b>	<b>(31,801)</b>	<b>215,748</b>	<b>(19,407)</b>	<b>21</b>	<b>1,999,984</b>
Goodwill	639,234	0	(2,355)	0	(1,624)	0	635,255
Software	1,017,529	60	(30,576)	200,914	(16,450)	10,952	1,182,429
Other intangible fixed assets	180,020	(1,420)	1,130	14,834	(1,333)	(10,931)	182,300
<b>Tangible fixed assets</b>	<b>2,443,714</b>	<b>29,579</b>	<b>(34,124)</b>	<b>364,557</b>	<b>(215,749)</b>	<b>(21)</b>	<b>2,587,956</b>
Land and buildings used by the Group for own purpose	737,325	0	(12,731)	102,208	(32,472)	16,206	810,536
Other land and buildings	119,812	29,482	2,355	44,569	(1,714)	(56,306)	138,198
of which land value of developed land	13,901	0	146	7	(384)	0	13,670
Office furniture, equipment and other tangible fixed assets	1,234,854	97	(15,861)	141,490	(111,856)	(18,287)	1,230,437
Leased assets (operating lease)	351,723	0	(7,887)	76,290	(69,707)	58,366	408,785
<b>Total</b>	<b>4,280,497</b>	<b>28,219</b>	<b>(65,925)</b>	<b>580,305</b>	<b>(235,156)</b>	<b>0</b>	<b>4,587,940</b>

€ 000	Write-ups, amortization, depreciation, impairment			Carrying amount
	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2011
<b>Intangible fixed assets</b>	<b>(934,436)</b>	<b>0</b>	<b>(330,149)</b>	<b>1,065,548</b>
Goodwill	(226,799)	0	(187,215)	408,456
Software	(651,570)	0	(135,436)	530,859
Other intangible fixed assets	(56,066)	0	(7,498)	126,234
<b>Tangible fixed assets</b>	<b>(1,076,479)</b>	<b>1,395</b>	<b>(228,785)</b>	<b>1,511,477</b>
Land and buildings used by the Group for own purpose	(200,480)	643	(31,653)	610,056
Other land and buildings	(17,192)	0	(13,444)	121,006
of which land value of developed land	(6)	0	(7)	13,664
Office furniture, equipment and other tangible fixed assets	(781,561)	226	(149,200)	448,876
Leased assets (operating lease)	(77,246)	526	(34,488)	331,539
<b>Total</b>	<b>(2,010,915)</b>	<b>1,395</b>	<b>(558,934)</b>	<b>2,577,025</b>

Additions to intangible and tangible assets include single investments exceeding € 10,000 thousand in Russia, the Czech Republic and Group head office.

## (25) Other assets

€ 000	2012	2011
Tax assets	505,416	417,630
Current tax assets	51,924	59,608
Deferred tax assets	453,492	358,021
Receivables arising from non-banking activities	103,275	107,529
Prepayments and other deferrals	215,088	260,535
Clearing claims from securities and payment transfer business	553,337	457,827
Lease in progress	48,822	51,340
Assets held for sale (IFRS 5)	64,131	26,564
Inventories	137,942	174,278
Valuation fair value hedge portfolio	11,277	6,987
Any other business	398,658	671,014
<b>Total</b>	<b>2,037,945</b>	<b>2,173,704</b>

Deferred taxes break down as follows:

€ 000	2012	2011
Deferred tax assets	453,492	358,021
Provisions for deferred taxes	(25,993)	(17,358)
<b>Net deferred taxes</b>	<b>427,499</b>	<b>340,663</b>

The net deferred taxes result from the following items:

€ 000	2012	2011
Loans and advances to customers	141,848	71,701
Impairment losses on loans and advances	190,979	123,428
Tangible and intangible fixed assets	10,222	14,137
Other assets	9,724	26,333
Provisions for liabilities and charges	43,676	53,904
Trading liabilities	15,379	18,111
Other liabilities	69,742	62,021
Tax loss carry-forwards	206,749	240,419
Other items of the statement of financial position	60,287	48,858
<b>Deferred tax assets</b>	<b>748,606</b>	<b>658,912</b>
Loans and advances to banks	1,784	209
Loans and advances to customers	42,576	30,541
Impairment losses on loans and advances	61,598	56,219
Trading assets	20,495	6,360
Tangible and intangible fixed assets	93,202	71,925
Deposits from customers	756	13,527
Provisions for liabilities and charges	81	43
Other liabilities	3,067	11,799
Other items of the statement of financial position	97,548	127,627
<b>Deferred tax liabilities</b>	<b>321,106</b>	<b>318,249</b>
<b>Net deferred taxes</b>	<b>427,499</b>	<b>340,663</b>

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 206.749 thousand (2011: € 240.419 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 111.132 thousand (2011: € 78.414 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

## (26) Deposits from banks

€ 000	2012	2011
Giro and clearing business	3,524,042	2,290,776
Money market business	18,275,848	26,923,561
Long-term refinancing	8,386,559	8,777,471
<b>Total</b>	<b>30,186,449</b>	<b>37,991,809</b>

RBI refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses give permission to an exceptional termination in the case of change in direct or indirect control over RBI AG, e.g. if Raiffeisen Zentralbank Österreich Aktiengesellschaft loses the majority shareholding in RBI AG. This can lead to increased refinancing costs for RBI in the future.

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

€ 000	2012	2011
Austria	13,597,606	20,648,519
Foreign	16,588,843	17,343,289
<b>Total</b>	<b>30,186,449</b>	<b>37,991,809</b>

## (27) Deposits from customers

€ 000	2012	2011
Sight deposits	30,045,874	27,472,114
Time deposits	34,004,747	37,994,210
Savings deposits	2,246,530	1,280,910
<b>Total</b>	<b>66,297,151</b>	<b>66,747,234</b>

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

€ 000	2012	2011
Sovereigns	1,078,614	1,318,407
Corporate customers - large corporates	29,071,946	33,187,082
Corporate customers - mid market	2,495,368	2,438,661
Retail customers - private individuals	29,139,762	25,422,490
Retail customers - small and medium-sized entities	3,893,733	3,722,779
Other	617,727	657,814
<b>Total</b>	<b>66,297,151</b>	<b>66,747,234</b>

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

€ 000	2012	2011
Austria	5,577,733	6,102,123
Foreign	60,719,417	60,645,111
<b>Total</b>	<b>66,297,151</b>	<b>66,747,234</b>

## (28) Debt securities issued

€ 000	2012	2011
Bonds and notes issued	12,767,128	12,761,801
Money market instruments issued	368,123	828,722
Other debt securities issued	154,850	776,291
<b>Total</b>	<b>13,290,102</b>	<b>14,366,814</b>

The following table contains debt securities issued amounting to or exceeding € 200,000 thousand nominal value:

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon	Due
RBI AG	XS0412067489	senior government guaranteed	EUR	1,500,000	3.6%	5/2/2014
RBI AG	XS0584381544	senior public placements	EUR	1,000,000	3.6%	27/1/2014
RBI AG	XS0597215937	senior public placements	EUR	1,000,000	1.1%	4/3/2013
RBI AG	XS0803117612	senior public placements	EUR	750,000	2.8%	10/7/2017
RBI AG	XS0753479525	senior public placements	EUR	499,200	2.9%	6/3/2015
RBI AG	XS0341159316	senior public placements	EUR	200,000	1.2%	21/1/2013

## (29) Provisions for liabilities and charges

€ 000	As of 1/1/2012	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2012
Severance payments	59,968	362	12,879	(1,071)	(6,476)	(114)	65,546
Retirement benefits	23,313	(499)	4,794	0	(33)	0	27,574
Taxes	173,451	2	25,343	(14,325)	(75,123)	(317)	109,031
Current	156,093	0	13,642	(12,858)	(73,662)	(177)	83,038
Deferred	17,358	3	11,701	(1,467)	(1,461)	(141)	25,993
Contingent liabilities and commitments	150,984	1,138	95,293	(89,761)	(9,223)	2,910	151,342
Pending legal issues	90,446	4,316	14,039	(30,935)	(24,566)	944	54,244
Overdue vacation	51,756	2,465	9,574	(6,214)	(1,914)	195	55,862
Bonus payments	177,050	3,799	143,517	(20,846)	(111,468)	2,141	194,193
Restructuring	1,653	0	14,895	(1,229)	0	481	15,800
Other	42,337	4,181	42,834	(16,128)	(26,504)	683	47,403
<b>Total</b>	<b>770,957</b>	<b>15,764</b>	<b>363,168</b>	<b>(180,509)</b>	<b>(255,308)</b>	<b>6,924</b>	<b>720,996</b>

RBI is involved in pending legal issues, which may occur in the banking business. RBI does not expect that these legal cases will have a material impact on the financial position of the Group. In the reporting period, Group-wide provisions for pending legal issues amounted to € 54,244 thousand (2011: € 90,446 thousand). Single cases exceeding € 10,000 thousand occurred in Croatia, Hungary and Ukraine.

Provisions for severance payments and similar obligations developed as follows:

€ 000	2012	2011
Defined benefit obligation (DBO) as of 1/1	59,968	60,770
Exchange differences	(144)	10
Changes in consolidated group	376	0
Service cost	4,408	3,934
Interest cost	2,352	2,333
Payments	(4,723)	(5,950)
Actuarial gain/loss	3,309	(1,129)
<b>Defined benefit obligation (DBO) as of 31/12 (=provision)</b>	<b>65,546</b>	<b>59,968</b>

Provisions for retirement benefits developed as follows:

€ 000	2012	2011
Defined benefit obligation (DBO) as of 1/1	35,986	24,873
Transfer	(499)	8,956
Current service cost	925	1,044
Past service costs	0	500
Interest cost	1,533	1,080
Benefit payments	(177)	(120)
Actuarial gain/loss	3,121	(346)
<b>Defined benefit obligation (DBO) as of 31/12</b>	<b>40,888</b>	<b>35,986</b>

Plan assets developed as follows:

€ 000	2012	2011
Plan assets at fair value as of 1/1	12,673	10,994
Transfer	(628)	1,952
Expected return on plan assets	543	476
Contributions to plan assets	639	446
Plan payments	(87)	(63)
Actuarial gain/loss	175	(1,132)
<b>Plan assets at fair value as of 31/12</b>	<b>13,314</b>	<b>12,673</b>

The reconciliation of DBO to provision was as follows:

€ 000	2012	2011
Defined benefit obligation (DBO)	40,888	35,986
Plan assets at fair value	13,314	12,673
<b>Provision as of 31/12</b>	<b>27,574</b>	<b>23,313</b>

The structure of plan assets broke down as follows:

Per cent	2012	2011
Bonds	55%	55%
Equities	33%	26%
Alternative investments	4%	7%
Property	5%	4%
Cash	3%	8%

Actual return on plan assets was as follows:

€ 000	2012	2011
Actual return on plan assets	718	(656)

## (30) Trading liabilities

€ 000	2012	2011
<b>Negative fair values of derivative financial instruments</b>	<b>7,447,054</b>	<b>8,405,930</b>
Interest-based transactions	5,862,841	6,390,887
Currency-based transactions	731,818	1,366,865
Equity-/index-based transactions	834,976	566,323
Credit derivatives business	12,892	67,530
Other transactions	4,528	14,325
<b>Short-selling of trading assets</b>	<b>622,164</b>	<b>565,628</b>
<b>Certificates issued</b>	<b>744,980</b>	<b>743,369</b>
<b>Call/time deposits from trading purposes</b>	<b>10,045</b>	<b>0</b>
<b>Total</b>	<b>8,824,242</b>	<b>9,714,926</b>

## (31) Derivatives

€ 000	2012	2011
<b>Negative fair values of derivatives in fair value hedges (IAS 39)</b>	<b>117,030</b>	<b>37,315</b>
Interest-based transactions	117,030	37,315
<b>Negative fair values of derivatives in cash flow hedges (IAS 39)</b>	<b>2,903</b>	<b>5,387</b>
Interest-based transactions	1,268	5,387
Currency-based transactions	1,635	0
<b>Negative fair values of credit derivatives</b>	<b>854</b>	<b>12,967</b>
<b>Negative fair values of derivative financial instruments</b>	<b>351,017</b>	<b>736,050</b>
Interest-based transactions	310,448	653,304
Currency-based transactions	40,416	58,437
Equity-/index-based transactions	5	24,309
Other transactions	148	0
<b>Total</b>	<b>471,804</b>	<b>791,720</b>

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers, deposits from banks and debt securities issued, which are taken to hedge against interest rate risk.

The time periods in which the hedged cash flows from liabilities are expected to occur and affect the statement of comprehensive income are as below:

€ 000	2012	2011
1 year	2,017,103	0
More than 1 year, up to 5 years	6,185	12,500
More than 5 years	93,452	0

Net losses of € 1,245 thousand (2011: minus € 45,951 thousand) relating to the effective portion of cash flow hedges were recognized in other comprehensive income.

## (32) Other liabilities

€ 000	2012	2011
Liabilities from non-banking activities	96,063	123,942
Accruals and deferred items	268,994	187,569
Liabilities from dividends	688	478
Clearing claims from securities and payment transfer business	514,941	416,961
Valuation fair value hedge portfolio	47,939	22,432
Any other business	586,714	763,641
<b>Total</b>	<b>1,515,338</b>	<b>1,515,024</b>

## (33) Subordinated capital

€ 000	2012	2011
Hybrid tier 1 capital	450,112	819,010
Subordinated liabilities	3,182,714	2,729,183
Supplementary capital	304,224	602,540
<b>Total</b>	<b>3,937,049</b>	<b>4,150,733</b>

The following table contains subordinated borrowings that exceed 10 per cent of the subordinated capital:

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon <sup>1</sup>	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6.625%	18/5/2021
RBI AG	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019

<sup>1</sup> Current interest rate, interest clauses are agreed.

In the reporting period, expenses on subordinated capital totaled € 231.807 thousand (2011: € 215.149 thousand).

## (34) Equity

€ 000	2012	2011
Consolidated equity	9,428,368	8,825,228
Subscribed capital	594,591	593,412
Participation capital	2,500,000	2,500,000
Capital reserves	2,574,025	2,570,778
Retained earnings	3,759,752	3,161,038
Consolidated profit	725,381	967,663
Non-controlling interests	719,143	1,142,894
<b>Total</b>	<b>10,872,893</b>	<b>10,935,786</b>

The development of equity is shown under the chapter statement of changes in equity.

### Subscribed capital

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

### Participation capital

The participation capital according to Section 23 (4) and (5) of the Austrian Banking Act (BWG) issued by Raiffeisen Zentralbank Österreich Aktiengesellschaft and transferred during the merger into Raiffeisen Bank International AG amounted to € 2,500,000 thousand. The participation capital is available for the life of the corporation and the participation issuer may not request redemption. The payment of the first tranche amounting to € 750,000 thousand was made as of 30 December 2008. The payment of the second tranche amounting to € 1,750,000 thousand was carried out as of 6 April 2009. The participation certificates were

issued at 100 per cent of par value. They are linked to an 8 per cent profit entitlement from par value per year. For the business years 2014 and 2015, the profit entitlement will be raised by 50 basis points each year, for the business year 2016 by 75 basis points and for every following business year by 100 basis points. The upper limit is 12 month EURIBOR plus 1,000 basis points.

### **Own shares**

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

The acquisition of own shares mainly serves to cover the obligation of RBI within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares. In fiscal year 2012, 386,476 own shares were allocated to eligible executives and board members on 30 March 2012.

The Annual General Meeting held on 20 June 2012 also authorized the Management Board to acquire own shares for the purpose of securities trading in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG) during a period of 30 months from the date of the resolution, of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in one or several installments by the company, by affiliated companies or, for their account, by third parties. This authorization replaces the authorization from the Annual General Meeting held on 8 July 2010 for the purpose of securities trading.

### **Authorized capital**

The Management Board was authorized pursuant to Section 169 of the Austrian Joint Stock Companies Act (AktG) by the Annual General Meeting held on 8 June 2011, within 5 years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 298,145 thousand – also in several tranches – against contribution in cash and/or in kind by issuing 97,752,562 new common bearer shares with voting rights while preserving the subscription rights of the shareholders, including the indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Joint Stock Companies Act (AktG), and to determine the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee is authorized for this purpose to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

### **Convertible bonds**

In the Annual General Meeting held on 10 June 2008, the Management Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within 5 years as of the date of the resolution, for a maximum total nominal amount of € 2,000,000 thousand, to which attaches a conversion or subscription right to obtain a maximum of 15,466,750 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 47,174 thousand. The subscription right of shareholders is excluded.

### **Contingent capital**

Pursuant to Section 159 (2) item 1 of the Austrian Joint Stock Companies Act (AktG), the subscribed capital has been increased contingently by a maximum of € 47,174 thousand by issuing a maximum of 15,466,750 common bearer shares (contingent capital). The contingent capital increase would only be carried out to the extent that holders of convertible bonds issued under the resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the company. No convertible bonds have been issued to date, however.

### **Participation rights**

The Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Joint Stock Corporation Act (AktG) in a total nominal amount of up to € 2,000,000 thousand within 5 years as of the date of the resolution with the approval of the Supervisory Board and in accordance with the terms for participation rights to be set by the Management Board and to the



exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strengthen its equity by issuing participation rights in the amount of € 600,000 thousand based on the authorizing resolution of June 2009. In the course of the merger of the principal business areas of RZB with Raiffeisen International with effect from 10 October 2010, the mutual loans and liabilities of the receiving and the transferring company were wiped out. The same is true of the participatory rights in the amount of € 600,000 thousand, which had been subscribed in full by RZB. No further participation rights have been issued to date.

### Dividend proposal

The Management Board intends to propose at the Annual General Meeting that a dividend of € 1.17 per share be distributed from Raiffeisen Bank International AG's profit for the financial year 2012, which represents a maximum distribution of € 228,741 thousand, and the remaining amount be carried forward.

### Number of shares outstanding

Number of shares	2012	2011
Number of shares issued as of 1/1	195,505,124	195,505,124
<b>Number of shares issued as of 31/12</b>	<b>195,505,124</b>	<b>195,505,124</b>
Own shares as of 1/1	(943,771)	(972,909)
Sale of own shares	386,476	29,138
<b>Less own shares as of 31/12</b>	<b>(557,295)</b>	<b>(943,771)</b>
<b>Number of shares outstanding as of 31/12</b>	<b>194,947,829</b>	<b>194,561,353</b>

### Share-based remuneration

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

Share incentive program (SIP) 2009 Group of persons	Number of due shares	Amount with share price of € 26.16 at the allotment day (2/4/2012)	Number of effective distributed shares
Members of the management board of the company	158,890	4,157,357	85,605
Members of the management boards of bank subsidiaries affiliated with the company	289,874	7,584,553	248,388
Executives of the company and other affiliated companies	99,758	2,610,168	52,483

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

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

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

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

## (35) Breakdown of remaining terms to maturity

31/12/2012 € 000	Due at call or without maturity	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash reserve	6,556,723	0	0	0	0
Loans and advances to banks	2,567,799	14,952,852	2,293,785	1,574,021	934,845
Loans and advances to customers	8,283,828	14,731,118	14,092,732	27,417,770	18,817,821
Impairment losses on loans and advances	(5,641,897)	0	0	0	0
Trading assets	321,057	1,281,240	1,221,758	3,247,685	3,741,552
Financial investments	558,434	5,665,224	1,492,837	4,637,498	1,001,465
Investments in associates	4,935	0	0	0	0
Sundry assets	3,497,784	1,153,542	254,581	872,594	582,439
<b>Total assets</b>	<b>16,148,663</b>	<b>37,783,976</b>	<b>19,355,693</b>	<b>37,749,569</b>	<b>25,078,121</b>
Deposits from banks	3,961,979	13,094,207	2,800,094	7,979,405	2,350,764
Deposits from customers	31,951,260	17,432,967	10,857,474	3,750,175	2,305,275
Debt securities issued	0	2,173,897	2,071,309	8,559,836	485,059
Trading liabilities	539,401	631,797	676,046	3,305,247	3,671,751
Subordinated capital		11,794	30,639	468,191	3,426,424
Sundry liabilities	1,460,665	905,356	250,807	56,369	34,940
<b>Subtotal</b>	<b>37,913,306</b>	<b>34,250,018</b>	<b>16,686,370</b>	<b>24,119,223</b>	<b>12,274,213</b>
Equity	10,872,893	0	0	0	0
<b>Total equity and liabilities</b>	<b>48,786,200</b>	<b>34,250,018</b>	<b>16,686,370</b>	<b>24,119,223</b>	<b>12,274,213</b>

31/12/2011 € 000	Due at call or without maturity	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash reserve	11,401,747	0	0	0	0
Loans and advances to banks	2,918,155	17,467,034	2,246,951	2,074,937	1,040,966
Loans and advances to customers	7,149,662	15,713,952	14,023,158	28,383,105	16,306,358
Impairment losses on loans and advances	(5,053,212)	0	0	0	0
Trading assets	285,826	585,897	1,103,401	4,416,329	4,225,218
Financial investments	628,842	3,494,911	2,569,972	7,170,697	2,670,542
Investments in associates	5,017	0	0	0	0
Sundry assets	3,047,575	1,239,553	502,560	806,366	559,483
<b>Total assets</b>	<b>20,383,612</b>	<b>38,501,348</b>	<b>20,446,043</b>	<b>42,851,433</b>	<b>24,802,567</b>
Deposits from banks	2,180,314	20,490,714	4,179,972	8,769,752	2,371,055
Deposits from customers	26,688,689	22,323,240	11,200,812	4,302,527	2,231,966
Debt securities issued	0	3,282,638	2,495,268	8,238,888	350,020
Trading liabilities	506,363	904,648	628,585	3,683,967	3,991,363
Subordinated capital	0	5,364	9,243	822,521	3,313,605
Sundry liabilities	1,842,399	669,463	72,870	182,570	310,400
<b>Subtotal</b>	<b>31,217,765</b>	<b>47,676,067</b>	<b>18,586,749</b>	<b>26,000,225</b>	<b>12,568,410</b>
Equity	10,935,786	0	0	0	0
<b>Total equity and liabilities</b>	<b>42,153,551</b>	<b>47,676,067</b>	<b>18,586,749</b>	<b>26,000,225</b>	<b>12,568,410</b>

## (36) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. Information about related parties refers to the top of the consolidated group of Raiffeisen-Landesbanken-Holding GmbH.

Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Disclosures on Raiffeisen Bank International's relations to key management are reported under note (53) relations to key management.

31/12/2012 € 000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	8,191,495	92,749	258,942	141,702
Loans and advances to customers	0	1,190,832	368,820	270,622
Trading assets	0	41,476	12,483	2,434
Financial investments	0	339,148	2,373	117,707
Investments in associates	0	0	4,935	0
Other assets including derivatives	2,597	14,913	62,447	25
Deposits from banks	6,125,323	10,219	5,105,055	224,070
Deposits from customers	580	336,139	428,742	178,723
Provisions for liabilities and charges	113	2,515	0	0
Trading liabilities	0	25,794	0	68
Other liabilities including derivatives	32	9,724	61	26
Subordinated capital	51,803	1	0	13
Guarantees given	0	79,577	25,554	20,999
Guarantees received	662,241	435,215	152,915	54,184

31/12/2011 € 000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	11,017,455	222,519	234,676	213,899
Loans and advances to customers	0	1,237,346	406,106	356,152
Trading assets	0	29,249	16,861	3,229
Financial investments	0	292,440	2,477	300,771
Investments in associates	0	0	5,017	0
Other assets including derivatives	842	9,270	177	616
Deposits from banks	13,005,726	3,027	6,002,400	156,443
Deposits from customers	942	442,173	243,325	562,534
Debt securities issued	0 <sup>1</sup>	391	0	0
Provisions for liabilities and charges	0	64	0	51
Trading liabilities	0	16,197	37,355	2,178
Other liabilities including derivatives	3,573	770	636	95
Subordinated capital	51,779 <sup>1</sup>	0	0	0
Guarantees given	0	61,451	70,789	23,019
Guarantees received	0	414,494	145,720	2,605

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

## (37) Foreign currency volumes

The consolidated financial statements consist of the following volumes of assets and liabilities denominated in foreign currencies:

€ 000	2012	2011
Assets	68,270,672	63,743,917
Liabilities	56,110,923	53,369,512

## (38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€ 000	2012	2011
Assets	108,493,932	107,453,372
Liabilities	82,859,617	86,575,711

## (39) Securitization

### RBI as originator

Securitization is the packaging of designated portfolios of loans or leasing claims with an appropriate level of credit enhancement and the redistribution of these portfolios to investors. The objective of RBI's securitization transactions is to ease the strain relief on the Group's regulatory own funds and to use additional refinancing sources.

In the financial year 2012, several new securitization programs started:

- The leasing subsidiary in Poland made a securitization for car leasing contracts of about € 122,730 thousand. The loans and advances were transferred to an external special purpose vehicle which is not under Group control in the context of a Compass Asset Backed Commercial Paper (ABCP) program sponsored by WestLB. The first loss piece remaining in the Group amounted to 15 per cent, the majority of chances and risks thus remain at the initiating Group unit. Therefore, the loans and advances are shown unchanged in the Group reporting so that additional refinancing sources can be mainly used through the securitization.
- A further new transaction – namely for the regulatory relief – was made in terms of a synthetic securitization of loans and advances to corporate customers, securities and guarantees of the Group head office. The tranches were mainly placed to Group internal investors and partly placed to external investors, with the latter amounting to € 47,000 thousand.
- Finally, an external placement of diversified payments rights of ZAO Raiffeisenbank, Moscow amounting to € 132,636 thousand is worth mentioning. The maturity of the tranche 2012-A ends in May 2017, those of 2012-B and 2012-C end in May 2019.

The true sale transactions (Warehousing) ROOF Bulgaria 2008-1 and ROOF Romania 2008-1 closed in 2008 were entirely placed to Group internal investors in 2012. As of year-end 2012, the non-derecognized loans of ROOF Bulgaria 2008-1 amounted to € 41,231 thousand (2011: € 73,099 thousand), those of ROOF Romania 2008-1 totaled € 55,878 thousand (2011: € 103,899 thousand). Thus both warehousing structures are going to phase out.

Regarding the true sale transaction ROOF Poland 2008-1 consisting of car leasing contracts, the total volume of the loans amounts as of 31 December 2012 to € 27,741 thousand (2011: € 84,574 thousand). The change in carrying amounts is due to the maturing of the portfolio (end of 2014) and fluctuating currency exchange rates.

The true sale transaction ROOF Russia 2007-1 finally phased out in 2012 as the carrying amount at year-end 2011 was only € 18,764 thousand and the possibility to replenish already redeemed volumes was no longer perceived.

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 63,098 thousand at year-end 2012 (2011: € 162,480 thousand). The differences compared to the volumes at the beginning of the transactions are due to maturing volumes and to changes in currency exchange rates.

Within the scope of further synthetic securitizations, RBI participated in the so-called JEREMIE programs in Bulgaria and Romania (ROOF Romania and Bulgaria SME 2011-1). By contract of the respective network banks with the European Investment Fund (EIF) the granting of loans to small and medium-sized enterprises is to be supported as they can receive guarantees from EIF under the JEREMIE initiative. The current volume of the portfolio under JEREMIE first loss portfolio guarantees amounts to € 83,049 thousand for the utilized volume of Raiffeisenbank S.A., Bucharest and € 19,571 thousand for Raiffeisenbank (Bulgaria) EAD.

Up to now the following transactions for all, or at least individual tranches have been executed with external contractual partners. The indicated amounts represent the volumes at the closing date:

€ 000	Seller of claims or secured party	Date of contract	End of maturity	Volume	Portfolio	Junior tranche
Synthetic transaction ROOF CEE 2006-1	Raiffeisen Bank Polska S.A., Warsaw (PL) Raiffeisenbank a.s., Prague (CZ)	March 2006	March 2019	450,000	Company loans	1.8%
True sale transaction ROOF Russia 2007-1	ZAO Raiffeisenbank, Moscow (RUS)	May 2007	prematurely terminated in 2012	297,000	Car loans	1.9%
True sale transaction ROOF Poland 2008-1	Raiffeisen-Leasing Polska S.A., Warsaw (PL)	January 2008	December 2014	290,000	Car leasing contracts	1.3%
Synthetic Transaction (JEREMIE) ROOF Romania SME 2011-1	Raiffeisenbank S.A., Bucharest (RO)	December 2010	December 2023	Guarantees up to € 20.5 million	SME-loans up to € 102.5 million	25.0%
Synthetic Transaction (JEREMIE) ROOF Bulgaria SME 2011-1	Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	December 2010	August 2020	Guarantees up to € 13 million	SME-loans up to € 65 million	25.0%
True Sale Transaction Raiffeisen Leasing Polska Auto Lease Securitisation (WestLB sponsored Compass ABCP Program)	Raiffeisen-Leasing Polska S.A., Warsaw (PL)	February 2012	October 2020	141,068	Car leasing contracts	15.0%
Future Flow Securitization ROOF Russia DPR Finance Company S.A.	ZAO Raiffeisenbank, Moscow (RUS)	June 2012	2017 and 2019	132,636	Right in 'diversified payment rights' (DPR)	n/a
Synthetic transaction ROOF WESTERN EUROPE CLO -2012-1	Raiffeisen Bank International AG, Vienna	July 2012	July 2025	996,076	Company loans, securities, guarantees	0.8%

#### RBI as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RBI also acts as an investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. During the financial year 2012 market value changes led to a negative valuation result of about € 4 million (2011: minus € 2 million) and to a realized result from sale of € 658 thousand.

As of 31 December 2012, RBI reported the following total exposure of structured products (excluding CDS):

€ 000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	128,123	128,111
Mortgage-backed securities (MBS)	158,376	157,114
Collateralized debt obligations (CDO)	70,817	2,793
Other	30,019	1,001
<b>Total</b>	<b>387,335</b>	<b>289,019</b>

As of 31 December 2011, RBI reported the following total exposure of structured products (excluding CDS):

€ 000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	88,081	88,070
Mortgage-backed securities (MBS)	255,093	250,939
Collateralized debt obligations (CDO)	143,843	26,243
Other	29,504	1,004
<b>Total</b>	<b>516,521</b>	<b>366,255</b>

## (40) Transferred assets

### Genuine sale and repurchase agreements

€ 000	2012	2011
<b>Genuine repurchase agreements as borrower</b>		
Deposits from banks	1,257,875	1,548,670
Deposits from customers	69,336	3,719,912
<b>Total</b>	<b>1,327,211</b>	<b>5,268,582</b>

€ 000	2012	2011
<b>Genuine repurchase agreements as lender (reverse repurchase agreement)</b>		
Loans and advances to banks	5,130,231	3,577,362
Loans and advances to customers	2,280,735	1,468,720
<b>Total</b>	<b>7,410,966</b>	<b>5,046,083</b>

€ 000	2012	2011
<b>Securities sold in genuine sale and repurchase agreement</b>		
hereof sold or repledged	698,843	4,742,840
hereof bonds, notes and other fixed-interest securities	698,843	4,607,688
<b>Securities purchased in a genuine sale and repurchase agreement</b>		
hereof sold or repledged	1,437,763	1,485,715
hereof bonds, notes and other fixed-interest securities	1,394,362	1,453,894
hereof shares and other variable-yield securities	43,401	31,326
hereof loans and advances	0	495

Within the framework of securities lending, borrowed securities amounted to € 2.729.932 thousand (2011: € 1.053.999 thousand) and loaned securities amounted to € 1.855.151 thousand (2011: € 2.335.047 thousand).

## Transferred financial assets

### Transferred financial assets not entirely derecognized

31/12/2012	Transferred assets			Associated Liabilities		
€ 000	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
<b>Trading assets</b>	<b>206,772</b>	<b>0</b>	<b>206,772</b>	<b>174,967</b>	<b>0</b>	<b>174,967</b>
Bonds, notes and other fixed-interest securities	206,772	0	206,772	174,967	0	174,967
<b>Financial assets at fair value through profit or loss</b>	<b>551,695</b>	<b>0</b>	<b>551,695</b>	<b>525,827</b>	<b>0</b>	<b>525,827</b>
Bonds, notes and other fixed-interest securities	551,695	0	551,695	525,827	0	525,827
<b>Loans and advances</b>	<b>362,844</b>	<b>157,061</b>	<b>205,783</b>	<b>309,651</b>	<b>109,651</b>	<b>200,000</b>
Bonds, notes and other fixed-interest securities	205,783	0	205,783	200,000	0	200,000
Loans and advances	157,061	157,061	0	109,651	109,651	0
<b>Financial assets held-to-maturity</b>	<b>176,192</b>	<b>0</b>	<b>176,192</b>	<b>176,973</b>	<b>0</b>	<b>176,973</b>
Bonds, notes and other fixed-interest securities	176,192	0	176,192	176,973	0	176,973
<b>Total</b>	<b>1,297,504</b>	<b>157,061</b>	<b>1,140,443</b>	<b>1,187,418</b>	<b>109,651</b>	<b>1,077,767</b>

### Transferred financial assets derecognized to the extent of the institution's continuing involvement

In the financial year 2012, there were no transferred financial assets which were derecognized to the extent of the institution's continuing involvement.

## (41) Assets pledged as collateral

The following liabilities are secured by assets shown in the statement of financial position:

€ 000	2012	2011
Deposits from banks	4,955,878	5,092,553
Deposits from customers	82,537	157,652
Other liabilities	180,159	154,992
Contingent liabilities and commitments	1,309	1,266
<b>Total</b>	<b>5,219,884</b>	<b>5,406,464</b>

The following assets are provided as collateral for the obligations:

€ 000	2012	2011
Loans and advances to banks	437,377	3,569,940
Loans and advances to customers	2,582,799	1,366,315
Trading assets	424,199	285,047
Financial investments	2,614,553	2,581,263
<b>Total</b>	<b>6,058,927</b>	<b>7,802,565</b>

## (42) Finance leases

€ 000	2012	2011
<b>Gross investment value</b>	<b>3,273,479</b>	<b>3,469,649</b>
Minimum lease payments	3,268,732	3,469,649
Up to 3 months	474,081	425,202
More than 3 months, up to 1 year	754,861	840,204
More than 1 year, up to 5 years	1,726,394	1,852,608
More than 5 years	313,396	351,635
Non-guaranteed residual value	4,748	0
<b>Unearned finance income</b>	<b>409,268</b>	<b>476,184</b>
Up to 3 months	47,028	48,394
More than 3 months, up to 1 year	107,217	116,918
More than 1 year, up to 5 years	208,247	249,014
More than 5 years	46,776	61,858
<b>Net investment value</b>	<b>2,864,211</b>	<b>2,993,465</b>

As of 31 December 2012, write-offs on unrecoverable minimum lease payments totaled € 67.103 thousand (31/12/2011: € 61.205 thousand).

Assets under finance leases break down as follows:

€ 000	2012	2011
Vehicles leasing	1,733,922	1,791,830
Real estate leasing	537,160	581,392
Equipment leasing	593,130	620,242
<b>Total</b>	<b>2,864,211</b>	<b>2,993,465</b>

## (43) Operating leases

### Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2012	2011
Up to 1 year	43,021	41,670
More than 1 year, up to 5 years	81,544	66,907
More than 5 years	34,328	66,499
<b>Total</b>	<b>158,894</b>	<b>175,075</b>

### Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2012	2011
Up to 1 year	94,989	81,047
More than 1 year, up to 5 years	171,831	163,769
More than 5 years	13,682	14,618
<b>Total</b>	<b>280,502</b>	<b>259,434</b>

# Risk report

## (44) Risks arising from financial instruments

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

### Risk management principles

RBI has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

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



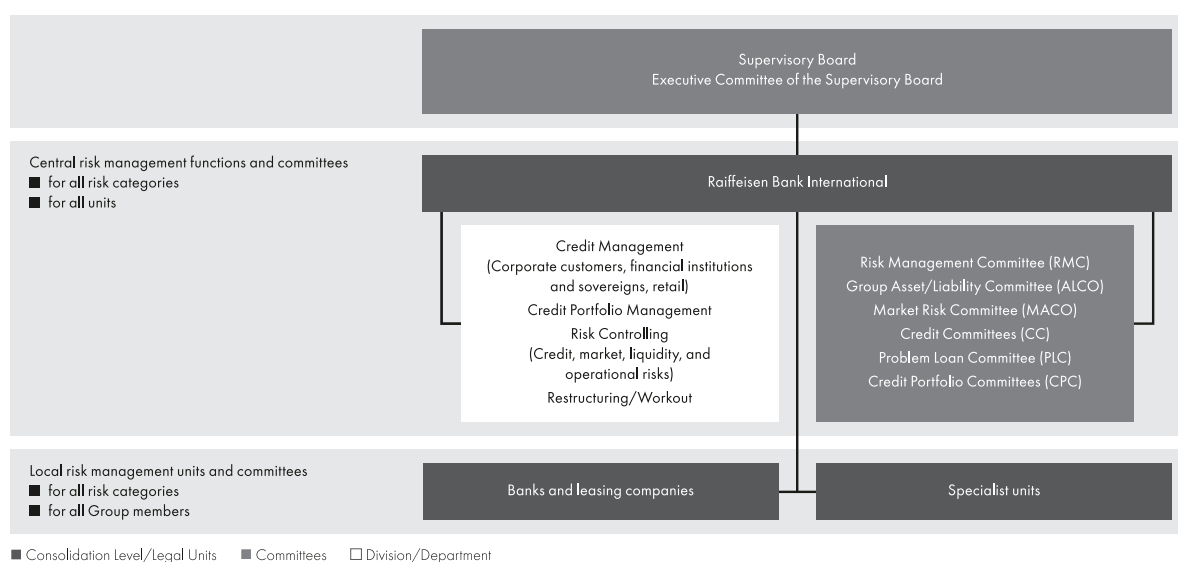
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and adds risk relevant aspects to the planned business structure and strategic development. These aspects include e.g. structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

## Organization of risk management

The Management Board of RBI ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Management Board is supported in implementing these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.



In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Management Board and the heads of individual business units. It also measures required risk coverage capital for different business units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

## Risk committees

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

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

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions, sovereigns and retail). They decide upon the specific lending criteria for different customer segments and countries. And they approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

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

The Credit Portfolio Committees define the credit portfolio strategies for different customer segments. In these committees, representatives from business and risk management divisions together discuss the risks and opportunities of different customer segments (e.g. industries, countries, retail products). Based on the discussion, credit portfolio management then develops lending policies and sets limits steering the future credit portfolio.

## Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This should make sure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the central division Organization & Internal Control System which continuously analyzes the internal control system and – if actions are necessary for closing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as integral part of the internal control system. Therewith, the compliance of existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts, is carried out during the audit of the annual financial statements by the auditing companies. Finally, RBI is continuously supervised by the Austrian Financial Markets Authority and by local supervisors in those countries, where RBI is represented by branches or subsidiaries.

## Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RBI. Capital requirements are monitored regularly based on the actual risk level as measured by internal models, and in choosing appropriate models the materiality of risks is taken into account. This concept of overall bank risk management provides for capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as required by Basel II (Pillar 2) regulations. The full ICAAP process of RBI is audited during the supervisory review process for RZB-Kreditinstitutsgruppe by the Austrian Financial Markets Authority on an annual basis.

Objective	Description of risk	Measurement technique	Confidence level
<b>Target rating perspective</b>	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95 per cent as derived from the default probability implied by the target rating
<b>Going concern perspective</b>	Risk of not meeting the capital requirement as defined in the Basel III regulations in preparation	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent reflecting the owners' willingness to inject additional own funds
<b>Sustainability perspective</b>	Risk of falling short of a sustainable core capital ratio over a full business cycle	Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario	70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

### Target rating perspective

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

RBI 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.

The economic capital of RBI decreased by 1.9 per cent compared to last year. Due to the acquisition of Polbank, the highest risk of RBI is now in credit risk of the asset class retail customers which accounts for 27 per cent (2011: 21 per cent) of total risk. In total, credit risk is responsible for 66 per cent (2011: 74 per cent) of economic capital. Market risk and operational risk account for 17 per cent (2011: 17 per cent). In addition, a general risk buffer for other risks of 5 per cent (2011: 9 per cent) of the calculated economic capital is added.

The economic capital is compared to internal capital, which mainly denotes equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage, for servicing claims of senior debtors if the bank should incur losses. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 73.8 per cent at year-end (2011: 62.7 per cent).

In the regional break down of economic capital as of 31 December 2012 the largest share, at around 37 per cent (2011: 30 per cent), is allocated to Group units located in Central Europe. The increase reported here is due to the integration of Polbank.

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

Risk-adjusted performance measurement also is based on this risk measure. The profitability of business units is set in relation to the amount of economic capital attributed to these units (risk-adjusted return on risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences the compensation of the Group's executive management.

## Risk distribution of individual risk types to economic capital

€ 000	2012	Share	2011	Share
Credit risk private individuals	2,456,811	26.5%	1,967,875	20.8%
Credit risk corporate customers	2,383,560	25.7%	3,723,796	39.4%
Credit risk sovereigns	961,662	10.4%	737,535	7.8%
Credit risk financial institutions	311,506	3.4%	566,310	6.0%
Market risk	790,949	8.5%	700,722	7.4%
Operational risk	775,262	8.4%	862,835	9.1%
Liquidity risk <sup>1</sup>	207,166	2.2%	-	-
Participation risk	194,191	2.1%	29,099	0.3%
Other tangible fixed assets <sup>1</sup>	411,130	4.4%	-	-
Macroeconomic risk <sup>1</sup>	338,032	3.6%	-	-
Risk buffer	441,513	4.8%	858,817	9.1%
<b>Total</b>	<b>9,271,783</b>	<b>100.0%</b>	<b>9,446,990</b>	<b>100.0%</b>

<sup>1</sup> New items due to ongoing development of calculation of economic capital

## Regional allocation of economic capital according to booking Group unit

€ 000	2012	Share	2011 <sup>1</sup>	Share
Central Europe	3,446,954	37.2%	2,534,582	26.8%
Austria	1,794,446	19.4%	2,301,472	24.4%
Southeastern Europe	1,772,542	19.1%	1,667,783	17.7%
Russia	1,227,497	13.2%	1,144,491	12.1%
CIS Other	796,869	8.6%	592,689	6.3%
Rest of the world	233,475	2.5%	347,155	3.7%
Risk buffer and diversification effects of risk types <sup>2</sup>	0	0.0%	858,817	9.1%
<b>Total</b>	<b>9,271,783</b>	<b>100.0%</b>	<b>9,446,990</b>	<b>100.0%</b>

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

<sup>2</sup> Risk buffer and diversification effects are now assigned to regions

### Going concern perspective

Parallel to that procedure, internal capital adequacy also is assessed with focus on the uninterrupted operation of the Group on a going concern basis. In this perspective, risks again are compared to risk taking capacity – now with a focus on regulatory capital and minimum capital requirements. During the year 2012, the calculation was updated with regard to the regulations of Basel III in preparation.

In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of own funds (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation thereof are mostly comparable to the target rating perspective, (albeit on a lower 95 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability. In 2012 this objective has been continuously met on Group level.

### Sustainability perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core capital ratio at the end of the multi-year planning period also in a severe macroeconomic downturn scenario. This analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered are amongst others: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio at the end of the multi-year period. It should not fall below a sustainable level and thus neither requires the bank to substantially increase capital nor to significantly reduce business activities. The current minimum amount of core capital thus is determined by the size of the potential economic downturn. In this downturn scenario the need for allocating loan loss provisions, potential procyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is in general based on historic data). Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations. Based on these analyses risk management in RBI enhances portfolio diversification, for example via limits for the total exposure of individual industry segments and countries and through ongoing updates to its lending standards.

## Credit risk

In RBI, credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category in RBI, as also indicated by internal and regulatory capital requirements. Credit risk thus is analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis in the Group. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the work flows to be monitored – from the customer’s initial credit application, to the bank’s credit approval, and finally to the repayment of the loan.

### Limit application process

No lending transaction is performed in the non-retail segments without running through the limit application process beforehand. This process is also consistently applied – besides new lending – to increases in existing limits, roll-overs, overdrafts, and if changes in the risk profile of a borrower occur (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made. In addition it is used when setting counterparty limits in treasury and investment banking operations, other credit limits, and for equity participations.

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

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business simultaneously with more than one member of RBI, is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in non-retail asset classes.

The limit application process in the retail division is stronger automated due to the high number of applications and lower exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

### Credit portfolio management

Credit portfolio management in RBI is, amongst others, based on the credit portfolio strategy. This strategy limits the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. On top of that, analyzing the long-term potential of different markets is a routine activity. This allows for an early strategic repositioning of future lending activities.

The following table translates items of the statement of financial position (bank 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 total credit exposure. It is not reduced by the effects of credit risk mitigation like 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. The reasons for different values used for internal portfolio management and external financial accounting are the different scope of consolidation (regulatory vs. accounting rules according to IFRS, i.e. corporate legal basis), different classification and presentation of exposure volumes.

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

€ 000	2012	2011
Cash reserve	4,272,275	9,347,721
Loans and advances to banks	22,323,301	25,748,044
Loans and advances to customers	83,343,269	81,576,235
Trading assets	9,813,293	10,616,671
Derivatives	1,405,088	1,404,809
Financial investments	12,741,316	15,836,862
Other assets	216,611	239,822
Contingent liabilities	11,706,829	13,280,487
Commitments	10,609,130	12,624,734
Revocable credit lines	16,223,936	14,847,947
Description differences	(2,557,608)	1,176,923
<b>Total<sup>1</sup></b>	<b>170,097,440</b>	<b>186,700,256</b>

<sup>1</sup> Items on the statement of financial position containing only credit risk parts

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

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

### Credit portfolio – Corporates

The internal rating model for corporates takes into account qualitative factors as well as several business and performance figures (e.g. interest cover, EBT margin, EBTDA margin, equity ratio, return on assets, debt amortization period), which are tailored to the various industries and financial reporting standards.

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates (large corporates and mid market). In the overall assessment of credit risk collateral and recovery rates must also be taken into account:

€ 000		2012	Share	2011	Share
0.5	Minimal Risk	1,185,493	1.5%	1,266,170	1.4%
1.0	Excellent credit standing	8,438,770	10.4%	7,899,653	8.9%
1.5	Very good credit standing	8,983,094	11.1%	8,938,731	10.0%
2.0	Good credit standing	12,419,278	15.4%	12,745,701	14.3%
2.5	Sound credit standing	11,745,454	14.5%	15,629,626	17.5%
3.0	Acceptable credit standing	12,450,870	15.4%	14,551,590	16.3%
3.5	Marginal credit standing	11,275,789	13.9%	12,505,943	14.0%
4.0	Weak credit standing/sub-standard	5,223,169	6.5%	6,384,399	7.2%
4.5	Very weak credit standing/doubtful	3,361,391	4.2%	3,803,250	4.3%
5.0	Default	4,925,690	6.1%	4,609,661	5.2%
NR	Not rated	886,816	1.1%	831,022	0.9%
<b>Total</b>		<b>80,895,816</b>	<b>100.0%</b>	<b>89,165,748</b>	<b>100.0%</b>

The maximum credit exposure to corporates in 2012 amounted to € 80,895,816 thousand (2011: € 89,165,748 thousand). At € 31,657,885 thousand (2011: € 37,283,636 thousand) Group Corporates is the largest segment, followed by Central Europe with € 17,986,250 thousand (2011: € 18,649,280 thousand) and Southeastern Europe with € 10,370,446 thousand (2011: € 11,230,092 thousand). Russia with € 10,237,258 thousand (2011: € 10,795,370 thousand), CIS Other with € 3,681,640 thousand (2011: € 4,093,986 thousand), Group Markets with € 5,968,080 thousand (2011: € 6,185,496 thousand) and Corporate Center with € 994,257 thousand (2011: € 927,888 thousand) complete the picture.

Loans with good credit standing up to minimal risk increased from 34.6 per cent to 38.4 per cent. On the one hand, this improvement resulted from rating upgrades of existing customers, where the positive economic development compared to the previous year led to an improvement in the internal rating. On the other hand, this also reflects active credit portfolio management, which directs credit growth mainly to economically successful markets like e.g. Russia; and the high lending standards demand that new loans are extended mainly to customers with good credit ratings. Segment Group Corporates shows the highest exposure decrease with minus € 5,625,751 thousand compared to year-end 2011. Decreases in credit business in China and Austria as well as guarantees given in Austria led to a decline of € 5,111,492 thousand. The share of loans with marginal credit standing, weak and very weak credit standing declined by 0.9 percentage points to 24.6 per cent.

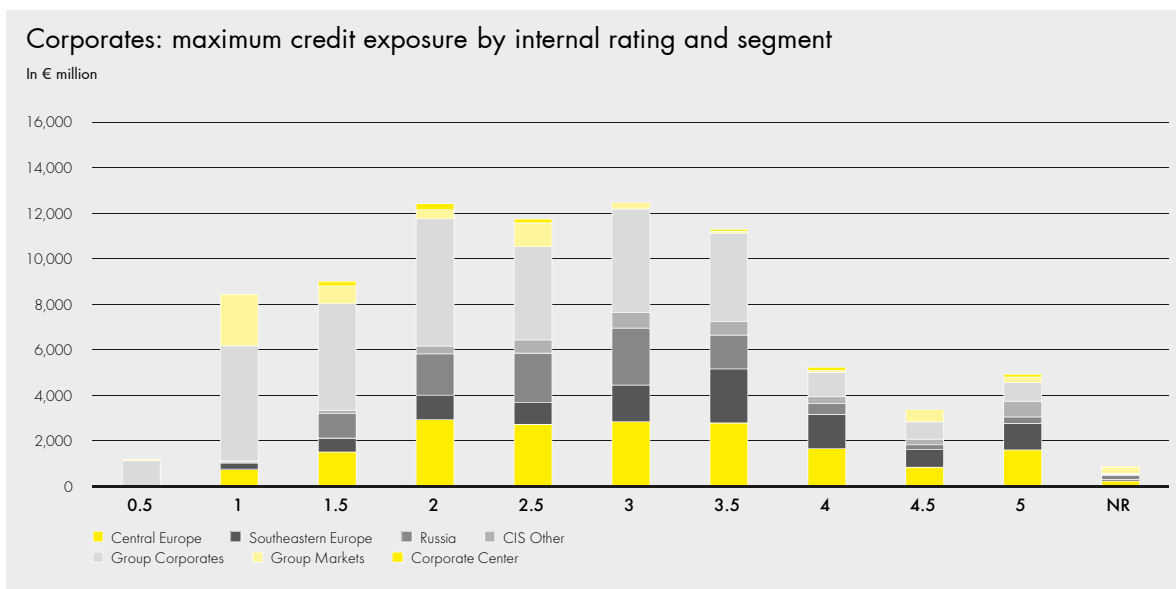
Defaulted exposures according to Basel II (rating 5.0) amounted to 6.1 per cent of total credit exposure, which is € 4,925,690 thousand (2011: € 4,609,661 thousand). The segment Central Europe was mostly affected with € 1,603,422 thousand (2011: € 1,234,996 thousand). Slightly less than half of the unrated credit exposure was due to small loans.

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

€ 000	2012	Share	2011	Share
Central Europe	17,986,250	22.2%	18,649,280	20.9%
Austria	15,536,185	19.2%	17,215,202	19.3%
Southeastern Europe	10,370,446	12.8%	11,230,092	12.6%
Western Europe	10,343,469	12.8%	11,658,129	13.1%
Russia	10,237,258	12.7%	10,795,370	12.1%
Asia	6,888,077	8.5%	8,547,278	9.6%
CIS Other	3,681,640	4.6%	4,093,986	4.6%
Other	5,852,490	7.0%	6,976,412	7.8%
<b>Total</b>	<b>80,895,816</b>	<b>100.0%</b>	<b>89,165,748</b>	<b>100.0%</b>

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

€ 000	2012	Share	2011	Share
Wholesale and retail trade	21,050,778	23.6%	23,672,410	24.2%
Manufacturing	18,579,700	20.8%	21,157,256	21.7%
Real estate	9,838,224	11.0%	10,417,753	10.7%
Financial intermediation	9,623,194	10.8%	9,300,475	9.5%
Construction	6,786,939	7.6%	7,323,572	7.5%
Transport, storage and communication	3,747,401	4.2%	3,680,616	3.8%
Other industries	19,691,013	22.0%	22,079,483	22.6%
<b>Total</b>	<b>89,317,249</b>	<b>100.0%</b>	<b>97,631,564</b>	<b>100.0%</b>



The rating model for project finance has five different grades which provide both individual default probabilities and collateral. The project finance volume is composed as shown in the table below:

€ 000		2012	Share	2011	Share
6.1	Excellent project risk profile - very low risk	3,734,268	44.3%	2,846,811	33.6%
6.2	Good project risk profile - low risk	2,522,975	30.0%	3,265,276	38.6%
6.3	Acceptable project risk profile - average risk	1,241,107	14.7%	1,241,476	14.7%
6.4	Poor project risk profile - high risk	391,268	4.6%	675,624	8.0%
6.5	Default	502,988	6.0%	419,125	5.0%
NR	Not rated	28,826	0.3%	17,504	0.2%
<b>Total</b>		<b>8,421,433</b>	<b>100.0%</b>	<b>8,465,817</b>	<b>100.0%</b>

The maximum credit exposure in project finance amounted to € 8,421,433 thousand (2011: € 8,465,817 thousand) at year-end 2012. Projects rated either in categories Excellent project risk profile - very low risk (rating 6.1) or Good project risk profile - low risk (rating 6.2) account for 74.3 per cent and thus represents the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. The decline of € 742,301 thousand in rating category 6.2 resulted from rating improvements, especially within the Austrian and Czech portfolio. Correspondingly, rating category 6.1 increased. The remaining increase in rating category 6.1 is due to new business and expansion of existing credit financings. Unrated projects increased slightly to 0.3 per cent (€ 28,826 thousand) year-on-year.

### Credit portfolio - Retail customers

Retail customers are subdivided into private individuals and small and medium-sized enterprises (SME). 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 maximum retail credit exposure of RBI:

€ 000	2012	Share	2011	Share
Retail customers - private individuals	25,856,000	88.7%	20,778,317	89.0%
Retail customers - small and medium-sized entities	3,278,328	11.3%	2,567,762	11.0%
<b>Total</b>	<b>29,134,328</b>	<b>100.0%</b>	<b>23,346,079</b>	<b>100.0%</b>
hereof non-performing loans	3,052,468	10.5%	2,451,979	10.5%
hereof individual loan loss provision	1,677,947	5.8%	1,498,552	6.4%
hereof portfolio-based loan loss provision	571,891	2.0%	274,839	1.2%



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

2012 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	13,948,709	6,580,075	3,680,967	1,630,254	15,994
Retail customers – small and medium-sized entities	2,265,327	800,373	55,220	157,408	0
<b>Total</b>	<b>16,214,036</b>	<b>7,380,448</b>	<b>3,736,187</b>	<b>1,787,662</b>	<b>15,994</b>
hereof non-performing loans	1,579,596	584,273	190,490	691,847	930
hereof individual loan loss provision	684,206	357,821	161,246	468,813	109
hereof portfolio-based loan loss provision	474,163	60,396	15,334	21,924	0

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	9,659,418	6,614,983	2,781,432	1,710,895	11,589
Retail customers – small and medium-sized entities	1,527,542	845,700	48,052	146,376	92
<b>Total</b>	<b>11,186,960</b>	<b>7,460,683</b>	<b>2,829,484</b>	<b>1,857,271</b>	<b>11,681</b>
hereof non-performing loans	929,489	576,045	211,753	729,067	1,403
hereof individual loan loss provision	457,106	371,881	184,542	480,336	126
hereof portfolio-based loan loss provision	173,915	65,334	7,433	28,156	0

Compared to year-end 2011, the retail credit portfolio increased by € 5,788,249 thousand to € 29,134,328 thousand.

The highest amount of € 16,214,036 thousand (2011: € 11,186,960 thousand) was booked in segment Central Europe. This was an increase of € 5,027,076 thousand compared to the previous year, mainly caused by the acquisition of Polbank.

The second largest segment was Southeastern Europe with € 7,380,448 thousand (2011: € 7,460,683 thousand). Compared to the previous year the exposure decreased slightly by € 80,235 thousand.

In Russia, the volumes in asset class private individuals increased by approximately one third resulting mainly from consumer loans. Within the segment CIS Other on the other hand, Ukraine reported a decline in the retail credit portfolio.

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

€ 000	2012	Share	2011	Share
Mortgage loans	14,666,850	50.3%	10,678,823	45.7%
Personal loans	6,580,293	22.6%	5,708,251	24.5%
Credit cards	1,806,105	6.2%	2,036,026	8.7%
Car loans	2,457,087	8.4%	2,149,028	9.2%
Overdraft	2,290,178	7.9%	1,754,043	7.5%
SME financing	1,333,814	4.6%	1,019,907	4.4%
<b>Total</b>	<b>29,134,328</b>	<b>100.0%</b>	<b>23,346,079</b>	<b>100.0%</b>

2012 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	9,291,200	2,977,964	1,457,979	939,707	0
Personal loans	2,760,185	2,252,105	994,473	573,531	0
Credit cards	963,547	503,636	181,097	157,825	0
Car loans	1,105,518	601,085	688,907	61,578	0
Overdraft	1,319,025	554,848	387,789	28,516	0
SME financing	774,562	490,811	25,942	26,505	15,994
<b>Total</b>	<b>16,214,036</b>	<b>7,380,448</b>	<b>3,736,187</b>	<b>1,787,662</b>	<b>15,994</b>

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	6,063,036	2,770,691	935,647	909,450	0
Personal loans	1,589,928	2,651,948	900,104	564,619	1,653
Credit cards	682,203	696,144	451,446	206,233	0
Car loans	1,116,266	477,156	466,680	88,926	0
Overdraft	1,098,658	524,903	75,607	54,875	0
SME financing	636,869	339,842	0	33,168	10,028
<b>Total</b>	<b>11,186,960</b>	<b>7,460,684</b>	<b>2,829,484</b>	<b>1,857,271</b>	<b>11,681</b>

The share of foreign currency loans in retail portfolios provides an indication for the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account the share of foreign currency loans but also the usually stricter lending criteria at loan distribution and - in several countries - the customers' matching foreign currency income.

€ 000	2012	Share	2011	Share
Swiss franc	5,109,986	48.6%	2,903,199	37.0%
Euro	4,054,190	38.6%	3,321,774	42.3%
US-Dollar	1,198,526	11.4%	1,444,798	18.4%
Other foreign currencies	141,338	1.3%	187,252	2.4%
<b>Loans in foreign currencies</b>	<b>10,504,040</b>	<b>100.0%</b>	<b>7,857,024</b>	<b>100.0%</b>
<b>Share of total loans</b>	<b>36.1%</b>		<b>33.7%</b>	

Compared to the previous year, loans denominated in foreign currency increased by € 2,647,016 thousand due to the acquisition of Polbank. The highest increase was shown in loans in Swiss francs and Euro, while US-Dollar loans slightly declined.

The following table shows the maximum credit exposure of this asset class by segment:

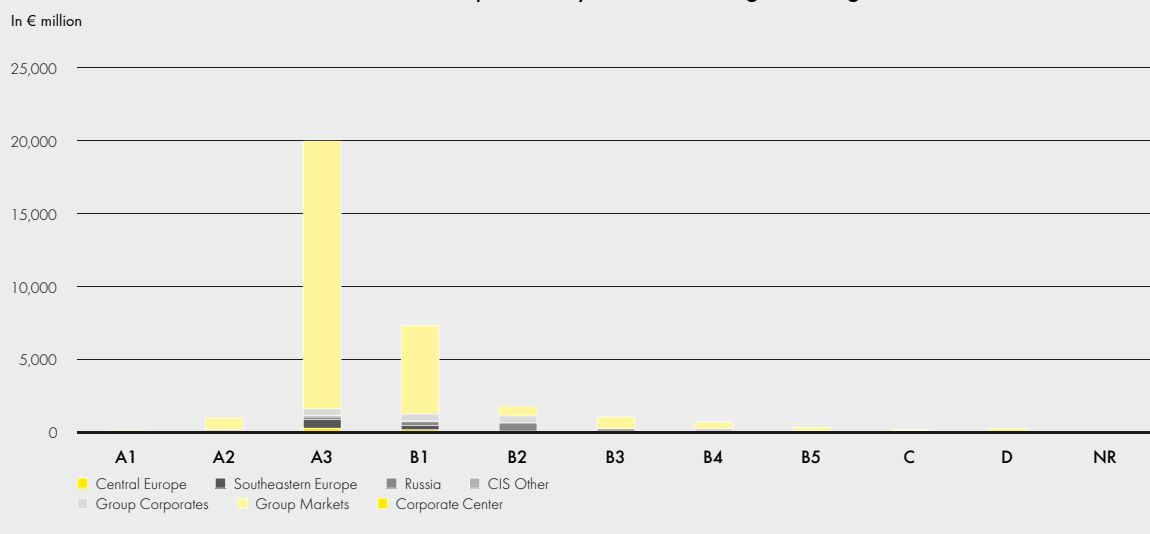
2012 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Swiss franc	4,255,406	853,963	0	0	617
Euro	1,214,912	2,823,403	6,544	9,331	0
US-Dollar	8,976	4,453	276,564	901,414	7,119
Other foreign currencies	11,822	121,890	0	636	6,990
<b>Loans in foreign currencies</b>	<b>5,491,117</b>	<b>3,803,709</b>	<b>283,108</b>	<b>911,381</b>	<b>14,726</b>
<b>Share of total loans</b>	<b>33.9%</b>	<b>51.5%</b>	<b>7.6%</b>	<b>51.0%</b>	<b>92.1%</b>

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Swiss franc	1,923,962	978,616	0	9	613
Euro	378,652	2,926,908	5,503	10,711	0
US-Dollar	7,131	4,251	313,059	1,119,376	981
Other foreign currencies	17,640	164,017	0	156	5,440
<b>Loans in foreign currencies</b>	<b>2,327,386</b>	<b>4,073,791</b>	<b>318,562</b>	<b>1,130,252</b>	<b>7,034</b>
<b>Share of total loans</b>	<b>20.8%</b>	<b>56.1%</b>	<b>11.3%</b>	<b>60.9%</b>	<b>60.2%</b>

### Credit portfolio - Financial Institutions

The financial institutions asset class mainly contains banks and securities firms. The internal rating model for these 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.

## Financial Institutions: maximum credit exposure by internal rating and segment



The following table shows the maximum credit exposure by internal rating for financial institutions. Due to the small number of customers (and number of defaults respectively), default probabilities of individual rating grades in this asset class are estimated based on a combination of internal and external data.

€ 000		2012	Share	2011	Share
A1	Excellent credit standing	95,668	0.3%	85,187	0.2%
A2	Very good credit standing	985,963	3.0%	3,409,172	8.8%
A3	Good credit standing	19,974,122	61.0%	24,221,051	62.4%
B1	Sound credit standing	7,338,380	22.4%	5,233,225	13.5%
B2	Average credit standing	1,781,661	5.4%	2,992,969	7.7%
B3	Mediocre credit standing	1,047,219	3.2%	1,276,922	3.3%
B4	Weak credit standing	696,652	2.1%	620,881	1.6%
B5	Very weak credit standing	330,228	1.0%	370,186	1.0%
C	Doubtful/high default risk	157,261	0.5%	184,310	0.5%
D	Default	269,207	0.8%	352,391	0.9%
NR	Not rated	48,533	0.1%	83,273	0.2%
<b>Total</b>		<b>32,724,896</b>	<b>100.0%</b>	<b>38,829,566</b>	<b>100.0%</b>

The maximum credit exposure of these customers was € 32,724,896 thousand (2011: € 38,829,566 thousand) at year-end 2012. At € 19,974,122 thousand or 61.0 per cent, the bulk of this customer group was in the rating class A3, which decreased by € 4,246,929 thousand compared to year-end 2011. This resulted mainly from a decline in bond and money market businesses in the segment Group Markets (minus € 4,066,356 thousand) which was partly offset by the increase in repo business (€ 1,048,719 thousand).

Taking all rating classes together, segment Group Markets accounts for the largest portfolio share at € 27,638,205 thousand (2011: € 32,490,734 thousand) or 84.5 per cent, followed by the segment Group Corporates at € 1,508,711 thousand (2011: € 2,444,968 thousand) or 4.6 per cent.

The share of not rated financial institutions was 0.1 per cent at year end 2012. This exposure was mainly caused by short-term loans to small banks, where the rating process had not yet been completed.

Part of this credit exposure is held against financial institutions that are indirect shareholders of RBI. Due to the multi-layered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the Austrian Banking Group is shown in this asset class as well. Bilateral netting-agreements and joint risk monitoring systems are used as risk mitigation techniques by the Group.

Time deposits, repurchase agreements, potential future exposures from derivatives, sight deposits, and bonds are the main product categories in this asset class. These exposures therefore have high collateralization grades (e.g. in repo transactions or through netting-agreements) depending on the type of product.

RBI continues to reduce the unsecured exposure in this asset class according to its strategy. New business in this asset class thus mainly stems from repurchase agreements, counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other financial institutions in the Austrian Raiffeisen Banking Group which are participating in a joint risk monitoring system of course is not restricted.

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

€ 000	2012	Share	2011	Share
Derivatives	12,123,929	37.0%	12,464,006	32.1%
Money market	9,443,627	28.9%	13,126,781	33.8%
Repo	4,736,967	14.5%	2,681,168	6.9%
Loans	3,580,386	10.9%	4,984,158	12.8%
Bonds	2,162,112	6.6%	4,450,385	11.5%
Other	677,874	2.1%	1,123,069	2.9%
<b>Total</b>	<b>32,724,896</b>	<b>100.0%</b>	<b>38,829,566</b>	<b>100.0%</b>

### Credit exposure – 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 credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class are historically very rare, default probabilities are estimated using full data sets provided by external rating agencies.

€ 000		2012	Share	2011	Share
A1	Excellent credit standing	1,560,976	8.2%	9,567,285	35.6%
A2	Very good credit standing	792,834	4.2%	465,012	1.7%
A3	Good credit standing	3,860,525	20.4%	4,518,891	16.8%
B1	Sound credit standing	2,730,261	14.4%	1,785,503	6.6%
B2	Average credit standing	1,272,111	6.7%	758,451	2.8%
B3	Mediocre credit standing	3,414,523	18.0%	5,513,313	20.5%
B4	Weak credit standing	3,794,917	20.1%	2,253,625	8.4%
B5	Very weak credit standing	1,171,675	6.2%	1,658,844	6.2%
C	Doubtful/high default risk	232,424	1.2%	155,561	0.6%
D	Default	83,383	0.4%	139,390	0.5%
NR	Not rated	7,338	0.0%	77,172	0.3%
<b>Total</b>		<b>18,920,968</b>	<b>100.0%</b>	<b>26,893,046</b>	<b>100.0%</b>

The maximum credit exposure to sovereigns amounted to € 18,920,968 thousand (2011: € 26,893,046 thousand) at year-end 2012 and represented 11.1 per cent (2011: 14.4 per cent) of the bank's total credit exposure.

The rating class excellent credit standing (A1) showed a decline of € 8,006,309 thousand which resulted from reduction of deposits at the Austrian National Bank (minus € 5,895,945 thousand) and decrease of the portfolio of Austrian government bonds (minus € 1,943,406 thousand).

The medium rating grades Good credit standing (rating A3) to Mediocre credit standing (rating B3) represented the highest share with 59.5 per cent (2011: 46.7 per cent). The high exposure in these rating categories mainly results from deposits of network banks at local central banks in Central and Southeastern Europe. They are mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries. The exposure in rating grade Weak credit standing (B4) increased to € 3,794,917 thousand or from 8.4 per cent to 20.1 per cent compared to the previous year, due to the rating deterioration of the Hungarian Central Bank from B3 to B4.

The volume in lower credit rating grades (rating C and D) increased slightly due to local government financing in Hungary.

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

€ 000	2012	Share	2011	Share
Bonds	12,272,944	64.9%	13,105,606	48.7%
Loans	5,312,316	28.1%	9,023,119	33.6%
Derivatives	795,097	4.2%	1,028,086	3.8%
Other	540,610	2.9%	3,736,234	13.9%
<b>Total</b>	<b>18,920,968</b>	<b>100%</b>	<b>26,893,046</b>	<b>100.0%</b>

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

€ 000	2012	Share	2011	Share
Hungary	2,233,649	25.7%	1,911,614	19.5%
Romania	1,808,045	20.8%	2,000,334	20.4%
Croatia	1,022,513	11.7%	1,303,903	13.3%
Albania	976,138	11.2%	1,218,253	12.4%
Ukraine	766,157	8.8%	992,915	10.1%
Other	1,897,759	21.8%	2,370,885	24.2%
<b>Total</b>	<b>8,704,260</b>	<b>100.0%</b>	<b>9,797,904</b>	<b>100.0%</b>

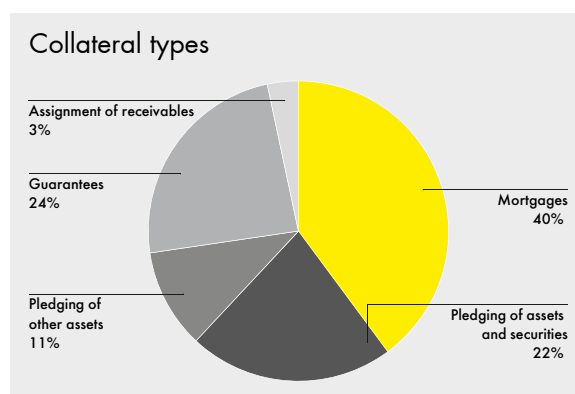
Here, the credit exposure decreased to € 8,704,260 thousand compared to the previous year. It resulted primarily from deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing the short-term investment of excess liquidity, and are therefore inextricably linked to the business activities in these countries.

### Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalog and evaluation guidelines for collateral. The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Collateral is divided into pledges (e.g. guarantees) and physical collateral. In RBI liens on residential or commercial properties are the main types of collateral used.

Loans and advances to banks and customers net of allocated loan loss provisions (net exposure), the additional exposure off the statement of financial position (contingent liabilities, commitments, and revocable credit lines), and the market prices (fair value) of collateral pledged in favor of RBI are shown in the following table:



31/12/2012 € 000	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/guarantees issued	
Banks	22,165,582	3,123,097	8,279,021
Sovereigns	1,375,664	199,937	668,984
Corporate customers - large corporates	49,376,894	31,155,231	34,916,969
Corporate customers - mid market	2,884,080	858,082	2,396,838
Retail customers - private individuals	21,608,217	2,727,893	14,084,902
Retail customers - small and medium-sized entities	2,577,148	435,922	1,878,010
Other	37,088	39,984	32,862
<b>Total</b>	<b>100,024,672</b>	<b>38,540,148</b>	<b>62,257,586</b>

31/12/2011 € 000	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/guarantees issued	
Banks	25,520,401	2,020,872	5,292,895
Sovereigns	1,350,175	257,206	275,271
Corporate customers - large corporates	52,631,182	34,804,357	42,004,417
Corporate customers - mid market	3,247,248	898,882	2,610,682
Retail customers - private individuals	17,479,971	2,402,307	11,078,089
Retail customers - small and medium-sized entities	2,042,090	369,784	1,424,577
<b>Total</b>	<b>102,271,067</b>	<b>40,753,408</b>	<b>62,685,931</b>

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 25,457,682 thousand (2011: € 24,047,224 thousand).

### Problem loan management

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract, as well as following the obligor's economic development. Such a review is conducted at least once annually in the non-retail asset classes corporates, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

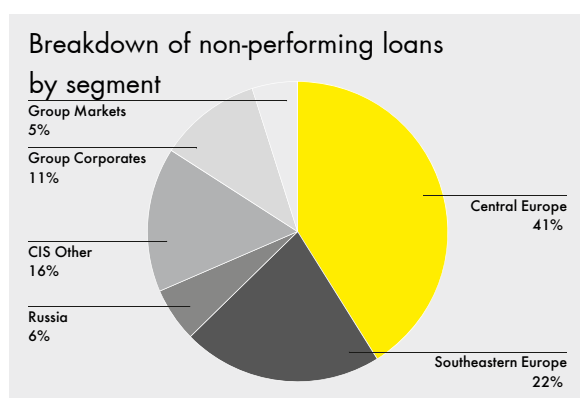
Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive experience. They typically handle medium-sized to large cases and are assisted by in-house legal departments or by external specialists as well. Workout units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-offs, value adjustments or provisioning). Their early involvement can help reduce losses resulting from problem loans.

Problem loan management standards in the retail area comprise the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the workout process customers are classified into three categories "early," "late," and "recovery," for which a standardized customer handling process is defined.

The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue - not impaired - loans and advances to banks and customers for different time bands.

31/12/2012	Current	Up to 31 days	More than 31 days, up to 90 days	Overdue More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	Collaterals received for assets which are past due
€ 000							
Banks	22,123,225	3	7	4	3	23	43,413
Sovereigns	1,296,000	31,966	1,430	68	274	570	12,002
Corporate customers - large corporates	45,664,327	1,593,355	241,911	41,282	82,344	216,769	741,060
Corporate customers - mid market	2,478,347	98,179	58,708	6,537	6,921	14,842	146,185
Retail customers - private individuals	18,958,593	1,541,400	335,626	152,933	40,383	280,747	922,990
Retail customers - small and medium-sized entities	2,108,464	232,491	73,453	19,973	19,371	70,793	333,345
<b>Total</b>	<b>92,628,955</b>	<b>3,497,394</b>	<b>711,136</b>	<b>220,796</b>	<b>149,296</b>	<b>583,743</b>	<b>2,198,995</b>

31/12/2011	Current	Up to 31 days	More than 31 days, up to 90 days	Overdue More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	Collaterals received for assets which are past due
€ 000							
Banks	25,511,384	5,567	12	11	0	0	0
Sovereigns	1,227,571	113,325	2,318	1,090	409	97	1,945
Corporate customers - large corporates	49,266,382	1,386,511	384,682	35,783	32,085	69,784	771,902
Corporate customers - mid market	2,796,533	138,788	65,798	7,724	5,878	15,747	165,846
Retail customers - private individuals	14,903,347	1,273,137	272,541	126,934	22,331	99,520	791,279
Retail customers - small and medium-sized entities	1,667,764	203,741	47,978	16,979	9,385	11,405	217,041
<b>Total</b>	<b>95,372,981</b>	<b>3,121,068</b>	<b>773,329</b>	<b>188,522</b>	<b>70,088</b>	<b>196,554</b>	<b>1,948,012</b>



### Restructuring of loans

As of 31 December 2012, the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be impaired or past due amounted to € 754,317 thousand (2011: € 474,473 thousand). Split by asset classes € 141,832 thousand (2011: € 79,615 thousand) is attributable to corporate customers and € 612,315 thousand (2011: € 394,350 thousand) to retail customers.

### Non-performing loans and provisioning

A default and thus non-performing loan (NPL) is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue

more than 90 days on any material credit obligation. RBI has defined twelve default indicators which are used to identify a default event in the non-retail segment. These include the insolvency or similar proceedings of a customer, if an impairment provision has been allocated or a direct write-off has been carried out, if credit risk management has judged a customer account receivable to be not wholly recoverable, or the workout unit is considering stepping in to help a company restore its financial soundness.

Within the RBI a Group-wide default database has been created for collecting and documenting customer defaults. The database tracks defaults and the reasons for defaults, which enables the calculation and validation of own default probabilities.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each Group unit decide on allocating individual loan loss provisions. In the retail area, provisioning is performed by retail risk departments in individual Group units. They compute loan loss provisions according to defined calculation schemes on a monthly basis. The provisioning amount is then approved by local accounting departments.

The following table shows the exposure of non-performing loans in the defined asset classes loans and advances to banks and loans and advances to customers as reported in the statement of financial position (excluding items off the statement of financial position) for the respective reporting period:

€ 000	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2012
Corporate customers	4,591,296	77,429	44,759	1,684,987	(1,325,203)	5,073,267
Retail customers	2,451,979	430,405	50,179	1,020,563	(900,658)	3,052,468
Sovereigns	12,274	0	31	46,195	(1,284)	57,216
<b>Total nonbanks</b>	<b>7,055,549</b>	<b>507,833</b>	<b>94,969</b>	<b>2,751,745</b>	<b>(2,227,146)</b>	<b>8,182,950</b>
Banks	241,276	0	(960)	6,460	(45,110)	201,666
<b>Total</b>	<b>7,296,825</b>	<b>507,833</b>	<b>94,009</b>	<b>2,758,205</b>	<b>(2,272,255)</b>	<b>8,384,617</b>

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2011
Corporate customers	4,381,436	(335)	(88,103)	1,667,432	(1,369,134)	4,591,296
Retail customers	2,396,213	(73)	(56,706)	891,115	(778,570)	2,451,979
Sovereigns	12,098	0	(215)	3,935	(3,544)	12,274
<b>Total nonbanks</b>	<b>6,789,747</b>	<b>(408)</b>	<b>(145,025)</b>	<b>2,562,483</b>	<b>(2,151,248)</b>	<b>7,055,549</b>
Banks	267,834	0	1,904	97,172	(125,634)	241,276
<b>Total</b>	<b>7,057,581</b>	<b>(408)</b>	<b>(143,121)</b>	<b>2,659,655</b>	<b>(2,276,882)</b>	<b>7,296,825</b>

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

€ 000	NPL		NPL ratio		NPL coverage ratio	
	2012	2011	2012	2011	2012	2011
Corporate customers	5,073,267	4,591,296	9.1%	7.8%	63.5%	66.3%
Retail customers	3,052,468	2,451,979	11.5%	11.5%	73.7%	72.3%
Sovereigns	57,216	12,274	4.1%	0.9%	19.8%	48.2%
<b>Total nonbanks</b>	<b>8,182,950</b>	<b>7,055,549</b>	<b>9.8%</b>	<b>8.6%</b>	<b>67.0%</b>	<b>68.4%</b>
Banks	201,666	241,276	0.9%	0.9%	78.2%	94.3%
<b>Total</b>	<b>8,384,617</b>	<b>7,296,825</b>	<b>7.9%</b>	<b>6.8%</b>	<b>67.3%</b>	<b>69.3%</b>

The following table shows the share of non-performing loans in the defined asset classes loans and advances to customers and loans and advances to banks as reported in the statement of financial position (excluding items off the statement of financial position) according to segments:

€ 000	NPL		NPL ratio		NPL coverage ratio	
	2012	2011	2012	2011	2012	2011
Central Europe	3,447,016	2,480,333	10.8%	9.0%	64.0%	60.8%
Southeastern Europe	1,808,066	1,726,427	10.9%	9.8%	62.0%	58.5%
Russia	489,371	525,261	3.8%	4.4%	100.0%	100.1%
CIS Other	1,306,740	1,505,914	24.7%	26.4%	70.2%	68.2%
Group Corporates	922,956	653,939	4.7%	2.8%	60.6%	79.1%
Group Markets	410,469	404,951	2.0%	1.8%	79.8%	95.7%
<b>Total</b>	<b>8,384,617</b>	<b>7,296,825</b>	<b>7.9%</b>	<b>6.8%</b>	<b>67.3%</b>	<b>69.3%</b>

In 2012 in the asset class corporate customers, non-performing loans increased by 10.5 per cent or € 481,971 thousand to € 5,073,267 thousand (2011: € 4,591,296 thousand), the ratio of non-performing loans to credit exposure rose by 1.3 percentage points to 9.1 per cent; the NPL coverage ratio went down by 2.8 percentage points to 63.5 per cent. In the retail portfolio, non-performing loans grew by 24.5 per cent or € 600,489 thousand to € 3,052,468 thousand (2011: € 2,451,979 thousand), of which € 430,405 thousand are attributable to the inclusion of Polbank. The ratio of non-performing loans to credit exposure remained unchanged at 11.5 per cent, the NPL coverage ratio improved by 1.4 percentage points to 73.7 per cent. The portfolio



of non-performing loans in the division financial institutions decreased by € 39,610 thousand to € 201,666 thousand (2011: € 241,276 thousand) at year-end, the NPL coverage ratio sank by 16.1 percentage points to 78.2 per cent.

Non-performing loans increased significantly in Central Europe by 39.0 per cent or € 966,683 thousand to € 3,447,016 thousand (2011: € 2,480,333 thousand). At the same time the ratio of non-performing loans to credit exposure rose by 1.8 percentage points to 10.8 per cent, the NPL coverage ratio improved by 3.3 percentage points to 64.0 per cent. Non-performing loans in Group Corporates went up by 41.1 per cent or € 269,018 thousand to € 922,956 thousand (2011: € 653,939 thousand), NPL ratio increased by 1.9 percentage points to 4.7 per cent and NPL coverage ratio sank by 18.5 percentage points to 60.6 per cent. In CIS Other, non-performing loans sank by 13.2 per cent or € 199,175 thousand to € 1,306,740 thousand (2011: € 1,505,914 thousand), NPL ratio sank by 1.7 percentage points to 24.7 per cent and the NPL coverage ratio improved by 2.0 percentage points to 70.2 per cent.

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

€ 000	As of 1/1/2012	Change in consolidated group	Allocation <sup>1</sup>	Release	Usage <sup>2</sup>	Transfers, exchange differences	As of 31/12/2012
<b>Individual loan loss provisions</b>	<b>4,441,418</b>	<b>90,013</b>	<b>1,750,104</b>	<b>(568,284)</b>	<b>(908,582)</b>	<b>38,807</b>	<b>4,843,476</b>
Loans and advances to banks	208,591	0	2,387	(5,967)	(58,105)	(1,101)	145,805
Loans and advances to customers	4,145,010	90,013	1,672,415	(510,781)	(841,254)	37,698	4,593,102
Off-balance sheet obligations	87,817	0	75,301	(51,536)	(9,223)	2,209	104,569
<b>Portfolio-based loan loss provisions</b>	<b>762,777</b>	<b>337,897</b>	<b>361,008</b>	<b>(525,111)</b>	<b>0</b>	<b>13,192</b>	<b>949,763</b>
Loans and advances to banks	19,052	0	221	(7,350)	0	(9)	11,914
Loans and advances to customers	680,558	336,759	340,796	(479,537)	0	12,500	891,076
Off-balance sheet obligations	63,167	1,138	19,992	(38,225)	0	701	46,773
<b>Total</b>	<b>5,204,195</b>	<b>427,910</b>	<b>2,111,112</b>	<b>(1,093,396)</b>	<b>(908,582)</b>	<b>51,999</b>	<b>5,793,239</b>

1 Allocation including direct write-downs and income on written down claims.

2 Usage including direct write-downs and income on written down claims.

€ 000	As of 1/1/2011	Change in consolidated group	Allocation <sup>1</sup>	Release	Usage <sup>2</sup>	Transfers, exchange differences	As of 31/12/2011
<b>Individual loan loss provisions</b>	<b>4,000,292</b>	<b>(182)</b>	<b>1,735,331</b>	<b>(558,699)</b>	<b>(653,749)</b>	<b>(81,575)</b>	<b>4,441,418</b>
Loans and advances to banks	236,579	0	(3,666)	(4,540)	(21,540)	1,758	208,591
Loans and advances to customers	3,710,716	(182)	1,673,030	(531,357)	(629,370)	(77,827)	4,145,010
Off-balance sheet obligations	52,997	0	65,966	(22,802)	(2,839)	(5,506)	87,817
<b>Portfolio-based loan loss provisions</b>	<b>887,999</b>	<b>(15)</b>	<b>280,577</b>	<b>(385,510)</b>	<b>0</b>	<b>(20,275)</b>	<b>762,777</b>
Loans and advances to banks	18,440	0	634	(41)	0	19	19,052
Loans and advances to customers	790,137	(15)	249,889	(341,293)	0	(18,160)	680,558
Off-balance sheet obligations	79,422	0	30,054	(44,176)	0	(2,134)	63,167
<b>Total</b>	<b>4,888,291</b>	<b>(197)</b>	<b>2,015,908</b>	<b>(944,209)</b>	<b>(653,749)</b>	<b>(101,849)</b>	<b>5,204,195</b>

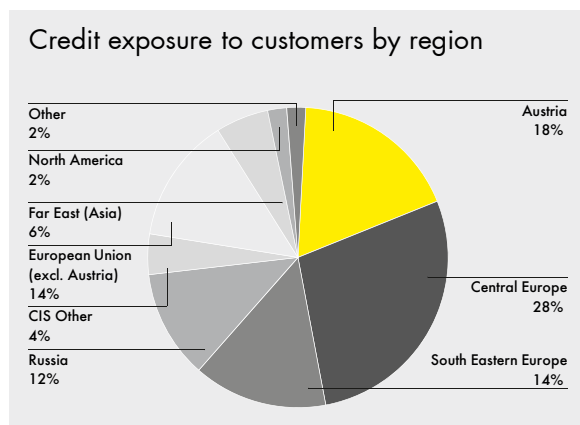
1 Allocation including direct write-downs and income on written down claims.

2 Usage including direct write-downs and income on written down claims.

The following table shows the breakdown of loan loss provisions according to segments:

€ 000	2012	2011
<b>Individual loan loss provisions</b>	<b>4,843,476</b>	<b>4,441,419</b>
Central Europe	1,735,318	1,326,396
Southeastern Europe	1,004,772	881,836
Russia	415,011	451,247
CIS Other	841,606	931,920
Group Corporates	490,396	648,272
Group Markets	337,380	185,039
Corporate Center	18,993	16,709
<b>Portfolio-based loan loss provisions</b>	<b>949,763</b>	<b>762,776</b>
Central Europe	547,839	254,424
Southeastern Europe	130,217	150,773
Russia	89,179	100,976
CIS Other	78,995	101,670
Group Corporates	96,789	132,162
Group Markets	5,098	20,534
Corporate Center	1,646	2,237
<b>Total</b>	<b>5,793,239</b>	<b>5,204,195</b>

## Country risk



Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI is exposed to this risk due to its strong business activities in the Central and Eastern European markets. In these markets political and economic risks to some extent are still seen as comparatively significant.

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

Country risk also is reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). Thereby RBI realigns its business activities according to the macro-economic development within different markets and enhances the broad diversification of its credit portfolio.

## Concentration risk

The credit portfolio of RBI 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 RBI's markets. The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country grouped by regional segments.

€ 000	2012	Share	2011 <sup>1</sup>	Share
<b>Austria</b>	<b>30,709,805</b>	<b>18.1%</b>	<b>43,686,612</b>	<b>23.4%</b>
<b>Central Europe</b>	<b>47,879,145</b>	<b>28.1%</b>	<b>42,629,955</b>	<b>22.8%</b>
Poland	14,599,175	8.6%	8,807,810	4.7%
Slovakia	11,425,565	6.7%	11,862,258	6.4%
Czech Republic	11,090,163	6.5%	10,936,576	5.9%
Hungary	8,734,720	5.1%	8,882,980	4.8%
Other	2,029,522	1.2%	2,140,331	1.1%
<b>European Union</b>	<b>23,033,715</b>	<b>13.5%</b>	<b>26,501,393</b>	<b>14.2%</b>
Great Britain	6,932,414	4.1%	7,365,436	3.9%
Germany	6,198,215	3.6%	7,492,208	4.0%
France	5,261,538	3.1%	3,170,368	1.7%
Netherlands	1,435,803	0.8%	2,951,067	1.6%
Other	3,205,744	1.9%	5,522,315	3.0%
<b>Southeastern Europe</b>	<b>24,586,840</b>	<b>14.5%</b>	<b>26,717,377</b>	<b>14.3%</b>
Romania	8,006,208	4.7%	8,558,494	4.6%
Croatia	5,663,421	3.3%	6,163,001	3.3%
Bulgaria	4,263,157	2.5%	4,327,667	2.3%
Serbia	2,073,441	1.2%	2,549,271	1.4%
Other	4,580,613	2.7%	5,118,944	2.7%
<b>Russia</b>	<b>19,861,137</b>	<b>11.7%</b>	<b>18,484,518</b>	<b>9.9%</b>
<b>Far East</b>	<b>9,670,143</b>	<b>5.7%</b>	<b>12,277,528</b>	<b>6.6%</b>
China	4,167,045	2.4%	6,555,672	3.5%
Other	5,503,098	3.2%	5,721,856	3.1%
<b>CIS Other</b>	<b>7,409,040</b>	<b>4.4%</b>	<b>7,787,066</b>	<b>4.2%</b>
Ukraine	5,633,492	3.3%	6,371,627	3.4%
Other	1,775,548	1.0%	1,415,440	0.8%
<b>North America</b>	<b>3,496,344</b>	<b>2.1%</b>	<b>4,379,149</b>	<b>2.3%</b>
<b>Rest of the world</b>	<b>3,451,271</b>	<b>2.0%</b>	<b>4,236,658</b>	<b>2.3%</b>
<b>Total</b>	<b>170,097,440</b>	<b>100.0%</b>	<b>186,700,256</b>	<b>100.0%</b>

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

RBI does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's loans and advances are to customers domiciled in these countries and result from credit financing and capital market activities. All in all, the bank has almost no exposure to government bonds in these countries (except for the Republic of Italy).

Risk policies and credit portfolio management in RBI take into account the industry class of customers as well. Banking and insurance represents the largest industry class, which, however, is mostly attributed to exposures to members of the Austrian Raiffeisen Sector (central liquidity balancing function). The second largest industry class is private households, primarily consisting of loans to retail customers in Central and Eastern European countries. The following table shows the maximum credit exposure of the Group by the customers' industry classification:

€ 000	2012	Share	2011	Share
Banking and insurance	52,812,304	31.0%	60,073,254	32.2%
Private households	23,100,219	13.6%	21,922,149	11.7%
Wholesale trade and commission trade (except car trading)	16,411,674	9.6%	17,893,915	9.6%
Other manufacturing	11,931,206	7.0%	13,651,445	7.3%
Public administration and defence and social insurance institutions	10,852,465	6.4%	13,267,030	7.1%
Real estate activities	10,012,287	5.9%	10,875,944	5.8%
Construction	7,053,404	4.1%	7,280,578	3.9%
Other business activities	5,968,485	3.5%	6,355,789	3.4%
Retail trade except repair of motor vehicles	4,756,928	2.8%	5,315,068	2.8%
Electricity, gas, steam and hot water supply	3,208,655	1.9%	3,448,995	1.8%
Manufacture of basic metals	2,673,415	1.6%	3,643,075	2.0%
Manufacture of food products and beverages	2,374,371	1.4%	2,535,234	1.4%
Other transport	2,156,079	1.3%	1,998,082	1.1%
Land transport, transport via pipelines	2,006,119	1.2%	2,218,839	1.2%
Manufacture of machinery and equipment	1,443,315	0.8%	1,547,073	0.8%
Extraction of crude petroleum and natural gas	1,414,478	0.8%	1,580,433	0.8%
Sale of motor vehicles	1,350,370	0.8%	1,577,151	0.8%
Other industries	10,571,667	6.2%	11,516,203	6.2%
<b>Total</b>	<b>170,097,440</b>	<b>100.0%</b>	<b>186,700,256</b>	<b>100.0%</b>

### Structured credit portfolio

RBI's strategy for the structured credit portfolio is to reduce these investments step-by-step. This will be achieved either through repayment at maturity date or through assets sales depending on the market situation. The size of the structured credit portfolio is shown in note (39) securitization. Around 98 per cent of this portfolio is rated A or better by external rating agencies. The pools mainly contain exposures to European customers.

### Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from re-establishing an equivalent contract. In RBI this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is credit risk mitigation techniques such as netting agreements and collateralization. In general, RBI strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

### Market risk

RBI defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

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

## Organization of market risk management

RBI measures, monitors, and manages all market risks on Group level.

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

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

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

### Limit system

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

- Value-At-Risk (confidence level 99 per cent, risk horizon one day)

Value-at-risk (VaR) is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte-Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering, random time change, and extreme event containers. This helps in reproducing fat-tailed and asymmetric distributions accurately. The Austrian Financial Market Authority has approved this model such that it can be used for calculating own funds requirements for market risks. Value-at-risk results are not only used for limiting risk but also in the internal capital allocation.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices)

Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.

- Stop loss

This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

### Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, one day) for individual markets risk categories of the trading and banking book. RBI's VaR mainly results from long-termed equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d € 000	VaR as of 31/12/2012	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2011
Currency risk <sup>1</sup>	52,295	56,830	42,735	79,065	63,564
Interest rate risk	3,220	2,684	1,205	8,244	6,715
Credit spread risk <sup>1</sup>	3,262	3,412	2,321	5,180	877
Share price risk	2,129	1,953	1,535	2,695	2,328
Vega risks <sup>2</sup>	658	828	530	1,387	n.a.
Total	59,096	60,892	43,796	83,990	48,039

<sup>1</sup> Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

<sup>2</sup> October to December 2012

Banking book VaR 99% 1d € 000	VaR as of 31/12/2012	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2011
Interest rate risk	16,100	20,214	10,089	47,931	46,571
Credit spread risk <sup>1</sup>	17,636	25,508	11,325	35,030	10,613
Vega risks <sup>2</sup>	1,044	1,853	1,044	2,913	n.a.
Total	23,532	35,622	20,906	58,806	29,756

<sup>1</sup> July to December 2012; With the full integration of the credit spread risk, a direct comparison with the previous year is not possible.

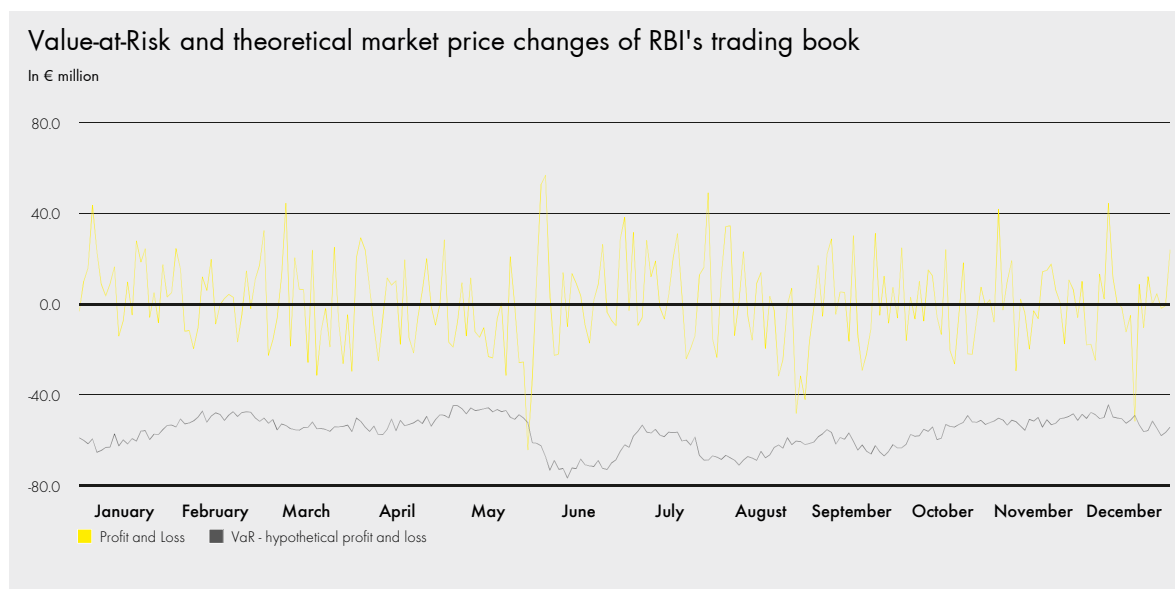
<sup>2</sup> October to December 2012

Total VaR 99% 1d € 000	VaR as of 31/12/2012	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2011
Currency risk <sup>1</sup>	52,218	56,751	42,754	79,082	63,564
Interest rate risk	16,768	20,755	10,837	44,848	46,284
Credit spread risk	20,805	28,421	16,105	39,215	10,662
Share price risk	2,129	1,953	1,535	2,695	2,328
Vega risks <sup>2</sup>	860	1,380	828	2,412	n.a.
Total	70,725	78,181	49,107	105,628	51,278

<sup>1</sup> Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

<sup>2</sup> October to December 2012

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly. In the reporting period, there was no backtesting violation for RBI's trading book (including equity positions in network banks) as shown in the backtesting chart. This chart compares VaR and theoretical profits and losses on a daily basis. VaR denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. It is compared to the theoretical profits and losses, which shows the hypothetical returns that the bank would have realized due to the actual changes in market parameters on the next day. It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions. Additionally, since 2012 stressed-VAR results have been limited. In 2012, an additional module within the internal model was implemented for a better measurement of the option risk. This measures vega risks in the Group with a hybrid simulation approach.



### Exchange rate risk and capital (ratio) hedge

Market risk in RBI results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments made in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. The following table shows all material open foreign exchange rate positions as of 31 December 2012 and the corresponding values for the previous year. Those numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated statements of financial position.

€ 000	2012	2011
ALL	277,703	244,810
BAM	266,547	217,268
BGN	5,722	(59,632)
BYR	170,343	109,977
CNY	167,079	97,353
CZK	768,028	678,626
HRK	741,430	755,662
HUF	461,277	290,401
PLN	2,191,602	765,891
RON	637,737	636,767
RSD	482,423	518,498
RUB	2,548,528	2,280,107
UAH	911,993	1,733,777
USD	(51,719)	(616,156)

In a narrow sense, exchange rate risk denotes the risk that one suffers losses due to open foreign exchange positions. Exchange rate fluctuations also influence current revenues and expenses. However, they also influence regulatory capital requirements of assets denominated in foreign currencies, even if they are refinanced in the same currency and thus do not create an open foreign exchange position.

RBI holds several large participations located outside of the European Monetary Union with their equity denoted in the corresponding local currency. Also, a significant share of risk-weighted assets in RBI is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in RBI and they influence the own funds requirement for credit risks as well.

Basically, there are two different approaches for managing exchange rate risks:

- **Preserve equity:** With this hedging strategy an offsetting capital position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.

- Stable capital ratio: The goal of this hedging strategy is to balance core capital and risk-weighted assets in all currencies according to the targeted core capital ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the core capital ratio remains stable even if foreign exchange rates change.

RBI aims at stabilizing its core capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denoted in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the core capital ratio to changes in individual foreign exchange rates.

### Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of RBI given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2012 and 31 December 2011. Currencies where the total interest rate sensitivity exceeds € 10 thousand are shown separately. There are only minor changes in the risk factors within the reporting period.

31/12/2012 € 000	Total	< 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(29)	0	(2)	(10)	(8)	(2)	(3)	(3)	0	0	0	0
BGN	(16)	(1)	0	0	(2)	(1)	(9)	(1)	0	0	0	0
CZK	(13)	(1)	(7)	(11)	3	(5)	1	1	12	(7)	0	0
EUR	(220)	14	(53)	(21)	(54)	3	(57)	21	5	(35)	(33)	(9)
GBP	11	8	4	(1)	0	0	0	0	0	0	0	0
HUF	(12)	7	(14)	(14)	8	(3)	3	(1)	1	1	0	0
RON	(10)	(2)	2	(2)	(4)	(4)	0	0	0	0	0	0
RUB	(80)	(15)	(10)	(13)	17	(36)	(13)	(10)	0	0	0	0
USD	(64)	17	(18)	19	11	(33)	27	(3)	(19)	3	43	(110)
Other	8	2	3	(2)	2	1	3	(4)	5	0	(1)	(1)

1 The presentation of currencies has changed year-on-year depending on the absolute value of the interest sensitivity.

31/12/2011 € 000	Total	< 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(31)	0	(1)	(8)	(10)	(10)	(1)	0	0	0	0	0
BGN	(10)	(1)	0	0	(2)	(1)	(4)	0	0	0	0	0
CHF	17	4	12	(2)	2	4	(3)	3	(3)	1	(1)	(1)
CZK	(27)	(1)	1	(3)	(8)	(11)	16	(14)	(1)	(6)	0	0
EUR	426	1	11	39	12	(8)	181	132	130	(50)	5	(27)
HRK	(14)	0	0	0	0	(1)	(10)	(2)	0	0	0	0
RUB	(185)	(1)	(14)	(22)	(38)	(59)	(28)	(21)	(2)	0	0	0
USD	87	9	(45)	26	(2)	(44)	(5)	(9)	32	(65)	(18)	207
Other	1	7	(11)	9	(2)	(3)	7	(2)	(3)	0	0	0

### Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets) cause interest rate risk in RBI. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for Euro and US-Dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and - to a smaller extent - also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by asset/liability management committees. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured in a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report shows the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2012, the changes in present value of



banking book positions after an interest rate shock of 200 basis points were always lower than the regulatory reporting threshold of 20 per cent of eligible own funds.

The following table shows the change in the present value of RBI's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2012 and 31 December 2011. Currencies with total interest rate sensitivity exceeding € 10 thousand are shown separately. Interest rate risk in the banking book decreased mainly due to a reduction of holdings in government bonds.

31/12/2012 € 000	Total	< 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(24)	0	(5)	4	(18)	(1)	0	0	(1)	(3)	(1)	0
BAM	14	(2)	0	1	5	6	2	0	1	2	0	0
BYR	(20)	0	(1)	(6)	(4)	1	(4)	(2)	(2)	(1)	0	0
CHF	(266)	28	(8)	(7)	(1)	0	(28)	(19)	(46)	(101)	(82)	(2)
CZK	(24)	10	(20)	32	(8)	(3)	(14)	(2)	(3)	(6)	(6)	(3)
EUR	(55)	56	21	188	184	66	28	(64)	(80)	(223)	(79)	(149)
HRK	(37)	(1)	0	1	(4)	0	(23)	0	(8)	(2)	0	0
RON	(73)	(5)	5	0	(29)	(13)	(9)	(20)	(3)	0	0	0
RSD	(23)	(1)	(3)	(5)	(10)	(2)	(1)	0	0	0	0	0
RUB	(159)	(18)	(10)	(4)	(38)	(19)	40	(5)	(37)	(51)	(15)	0
UAH	(73)	2	2	9	(55)	(19)	(4)	(3)	(3)	(1)	0	0
USD	(225)	12	22	67	(31)	(16)	(72)	(46)	(98)	(51)	(10)	(3)
Other	(16)	(11)	25	43	(11)	(1)	(18)	(10)	(12)	(12)	(8)	0

1 The presentation of currencies has changed year-on-year depending on the absolute value of interest rate sensitivity.

31/12/2011 € 000	Total	< 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(45)	3	(4)	6	(33)	(13)	(1)	(4)	0	0	0	0
BGN	16	0	3	9	0	5	(1)	0	0	0	0	0
CHF	(154)	8	(5)	(1)	(16)	(2)	(11)	(19)	(37)	(49)	(23)	0
CNY	37	(10)	16	32	0	0	0	0	0	0	0	0
CZK	12	8	(4)	19	0	(2)	3	(10)	(4)	2	(1)	0
EUR	(607)	84	121	177	185	12	(130)	(629)	(202)	(118)	(8)	(98)
HRK	(16)	(1)	0	4	(5)	(4)	(3)	(4)	(3)	0	0	0
HUF	(88)	(5)	(7)	(8)	(7)	(21)	(25)	(11)	(5)	1	0	0
RON	(108)	1	(2)	2	(8)	(31)	(11)	(35)	(23)	0	0	0
RSD	(25)	(1)	(1)	(5)	(7)	(7)	(3)	(1)	0	0	0	0
RUB	66	(36)	2	(7)	13	68	113	(6)	(28)	(40)	(13)	0
UAH	(248)	(6)	(5)	(26)	(60)	(57)	(65)	(11)	(10)	(6)	(1)	0
USD	(755)	26	(12)	24	(25)	(98)	(115)	(157)	(151)	(211)	(32)	(4)
Other	(7)	(9)	(1)	(8)	2	5	9	(1)	(3)	0	0	(1)

## Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book. The value-at-risk report covers RBI AG in this risk category, where a major part of securities positions of the Group are booked. The integration of all positions was completed in the first half-year 2012.

## Liquidity risk

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

Liquidity management, i.e. ensuring that the Group maintain its ability to pay at all times, is performed both centrally by the Treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a periodical basis in an internal monitoring system. Based on this data, the Group creates liquidity balances, and analyzes whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity anal-

yses also include simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group Asset/Liability Committee of the bank.

RBI possesses all instruments for liquidity risk management required by the liquidity risk management directive (amongst others a sufficiently large liquidity buffer, stress tests based on different scenarios, and liquidity contingency plans). As far as it is possible to estimate the new liquidity ratios based on the still preliminary rules of Basel III, RBI appears to be already very well prepared for the new regulations.

### Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis, taking into account items on and transactions off the statement of financial position. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). Through the acquisition of Polbank in the second quarter of 2012 compared to year-end 2011, there was a reduction in excess liquidity in the short-term maturity buckets. Especially the liquidity ratio of the maturity bucket for one week decreased significantly. This reflects the fact that the short-term liquid funds held for the take-over of Polbank were transferred at the date of take-over into long-term refinancing business.

€ 000 Maturity	2012			2011		
	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	14,823,261	12,224,675	13,466,567	20,692,286	17,937,132	7,093,711
Liquidity ratio	135%	118%	110%	175%	130%	105%

Internal limits have been established 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 (also with regard to the publicity impact) exist for all major Group units.

### Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and the increased effort in collecting customer deposits. RBI's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking network banks. RBI is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In RBI's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan-/deposit ratios (the ratio of customer loans to customer deposits) have been revised for individual network banks taking into account expected Basel III regulations. The limits incorporate planned future business volumes as well as the feasibility for increasing customer deposit in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

31/12/2012 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3 to 12 months	1 year to 5 years	More than 5 years
<b>Non-derivative liabilities</b>	<b>116,603,278</b>	<b>133,200,971</b>	<b>75,807,909</b>	<b>20,333,819</b>	<b>28,005,140</b>	<b>9,054,101</b>
Deposits from banks	30,186,449	36,847,325	19,220,204	4,815,394	10,692,982	2,118,744
Deposits from customers	66,297,151	71,630,980	50,538,855	11,925,039	6,601,288	2,565,798
Debt securities issued	13,290,102	15,739,470	2,825,274	2,543,383	8,931,941	1,438,872
Other liabilities	2,892,527	3,751,789	2,801,272	335,059	578,946	36,511
Subordinated capital	3,937,049	5,231,407	422,304	714,944	1,199,983	2,894,176
<b>Derivative liabilities</b>	<b>7,918,858</b>	<b>16,692,593</b>	<b>6,084,335</b>	<b>2,750,440</b>	<b>6,382,711</b>	<b>1,475,106</b>
Derivatives in the trading book	7,447,054	13,903,438	4,060,041	2,587,390	5,843,762	1,412,245
Hedging derivatives	119,933	128,171	15,311	33,326	72,733	6,801
Other derivatives	351,017	2,660,741	2,008,878	129,658	466,145	56,060
Credit derivatives	854	243	105	66	71	0

31/12/2011 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3 to 12 months	1 year to 5 years	More than 5 years
<b>Non-derivative liabilities</b>	<b>126,058,179</b>	<b>137,989,160</b>	<b>77,555,375</b>	<b>20,574,411</b>	<b>26,714,055</b>	<b>13,145,319</b>
Deposits from banks	37,991,809	42,071,888	22,361,668	5,482,472	11,368,842	2,858,906
Deposits from customers	66,747,234	70,263,681	48,917,920	12,265,438	4,602,652	4,477,671
Debt securities issued	14,366,814	17,010,196	3,504,640	2,562,491	9,404,260	1,538,805
Other liabilities	2,801,589	3,862,737	2,747,897	188,588	809,046	117,206
Subordinated capital	4,150,733	4,780,658	23,250	75,422	529,255	4,152,731
<b>Derivative liabilities</b>	<b>9,197,649</b>	<b>17,903,100</b>	<b>7,568,858</b>	<b>2,878,354</b>	<b>6,152,849</b>	<b>1,303,039</b>
Derivatives in the trading book	8,405,930	15,818,157	6,605,117	2,610,327	5,449,666	1,153,048
Hedging derivatives	42,702	49,372	541	4,782	13,065	30,984
Other derivatives	736,050	1,979,476	959,303	242,754	658,502	118,917
Credit derivatives	12,967	56,095	3,897	20,491	31,616	90

## Operational risk

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

This risk category is analyzed and managed on the basis of own historical loss data and the results of self-assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and active risk management. Generally speaking, RBI implements a centralized and decentralized system for operational risk management. In this process, a central operational risk management function defines all basic principles and minimum requirements, which then are implemented risk type specific in the individual local units.

As with other risk types the principle of firewalling between risk management and risk controlling is also applied to operational risk in RBI. Operational risk controlling units are mainly responsible for the implementation and refinement of methods for operational risk management in different Group units (e.g. performing self-assessment, defining and monitoring key risk indicators, etc.) and for reporting to the central operational risk controlling function. Business line managers are responsible for controlling and mitigating operational risks. They decide on pro-active operational risk steering actions, such as buying insurance, and the use of further risk mitigating instruments.

### Risk identification

Identifying and evaluating risky areas that might endanger the Group's existence if a loss occurs (but where losses are highly unlikely to be realized) and also areas where losses are more likely to happen frequently (but cause only smaller losses) are important tasks for controlling operational risks.

Operational risk self-assessment is executed in a structured and Group-wide uniform manner, where all operational risk categories and business functions are assessed in a two-dimensional matrix by generic business processes and event types (per business line or product group). This applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years in relation to profits. Low probability/high impact events are quantified by a Group-wide analytical tool with specific scenar-

ios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics. In 2012, RBI carried out internal analysis as a result of external events in other institutions.

### **Monitoring**

In order to monitor operational risks, key risk indicators (KRIs) are used that allow promptly identifying and mitigating operational risks. These are also specifically tailored to individual Group units. A common catalog of key risk indicators, which is defined by the Group head office for internal benchmarking purposes, is mandatory for all Group units.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. Collecting losses stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data is used to create and validate operational risk scenarios and for exchange with international data pools to further develop advanced operational risk management tools. Since 2010, RBI has been participant in the ORX data pool, whose data are currently used for internal benchmark purposes and analyses. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the Group Risk Committee on a regular basis.

### **Quantification and mitigation**

RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach (STA). This approach applies to all major Group units.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role is taken on by fraud management which reduces potential fraud related losses through proactive monitoring and preventive actions. RBI also executes an extensive staff training program and has different emergency plans and back-up systems in place.

# Other disclosures

## (45) Derivative financial instruments

31/12/2012	Nominal amount by maturity			Total	Fair values	
€ 000	Up to 1 year	1 year to 5 years	More than 5 years		Positive	Negative
<b>Total</b>	<b>102,857,794</b>	<b>99,745,092</b>	<b>55,788,911</b>	<b>258,391,797</b>	<b>8,221,285</b>	<b>(7,918,857)</b>
<b>Interest rate contracts</b>	<b>51,068,628</b>	<b>85,143,946</b>	<b>53,148,502</b>	<b>189,361,075</b>	<b>7,246,469</b>	<b>(6,291,587)</b>
OTC products						
Interest rate swaps	43,661,648	79,792,930	47,878,800	171,333,377	7,025,879	(6,085,227)
Interest rate futures	5,284,446	136,578	0	5,421,024	12,331	(11,923)
Interest rate options - purchased	704,474	2,511,311	2,334,282	5,550,067	207,277	0
Interest rate options - sold	1,104,330	2,422,627	2,865,515	6,392,471	0	(193,114)
Other similar contracts	2,633	0	0	2,633	0	0
Products trading on stock exchange						
Interest rate futures	311,097	280,500	69,906	661,503	982	(1,323)
<b>Foreign exchange rate and gold contracts</b>	<b>49,699,592</b>	<b>11,606,251</b>	<b>2,259,079</b>	<b>63,564,923</b>	<b>848,181</b>	<b>(773,868)</b>
OTC products						
Cross-currency interest rate swaps	5,076,458	10,535,874	2,234,352	17,846,684	289,316	(413,159)
Forward foreign exchange contracts	41,420,938	879,833	0	42,300,771	526,672	(278,775)
Currency options - purchased	1,536,174	73,358	0	1,609,532	31,590	0
Currency options - sold	1,539,816	99,582	0	1,639,398	0	(49,919)
Other similar currency contracts	0	0	0	0	0	(16)
Gold commodity contracts	2,243	17,604	24,727	44,574	116	(29,343)
Products trading on stock exchange						
Currency contracts (futures)	123,963	0	0	123,963	487	(2,655)
<b>Equity/index contracts</b>	<b>1,502,664</b>	<b>1,308,463</b>	<b>344,994</b>	<b>3,156,120</b>	<b>106,630</b>	<b>(834,981)</b>
OTC products						
Equity./index-based options - purchased	207,152	340,046	170,910	718,108	21,343	0
Equity./index-based options - sold	91,836	469,852	38,540	600,229	0	(60,325)
Other similar equity./index contracts	150,629	427,416	135,544	713,589	1,603	(675,668)
Products trading on stock exchange						
Equity./index futures - forward pricing	821,241	760	0	822,001	73,744	(89,428)
Equity./index futures	231,806	70,388	0	302,194	9,941	(9,561)
<b>Commodities</b>	<b>231,916</b>	<b>77,926</b>	<b>14,364</b>	<b>324,206</b>	<b>3,622</b>	<b>(2,003)</b>
<b>Credit derivatives</b>	<b>311,648</b>	<b>1,572,644</b>	<b>5,000</b>	<b>1,889,292</b>	<b>16,198</b>	<b>(13,745)</b>
<b>Precious metals contracts</b>	<b>43,346</b>	<b>35,862</b>	<b>16,973</b>	<b>96,181</b>	<b>185</b>	<b>(2,672)</b>

The surplus of negative market values for equity./index contracts is offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

31/12/2011	Nominal amount by maturity			Total	Fair values	
€ 000	Up to 1 year	1 year to 5 years	More than 5 years		Positive	Negative
<b>Total</b>	<b>122,281,901</b>	<b>145,038,007</b>	<b>82,455,387</b>	<b>349,775,296</b>	<b>8,697,565</b>	<b>(9,197,650)</b>
<b>Interest rate contracts</b>	<b>67,754,329</b>	<b>132,690,032</b>	<b>79,386,786</b>	<b>279,831,147</b>	<b>7,542,484</b>	<b>(7,086,893)</b>
OTC products						
Interest rate swaps	54,278,011	126,661,289	74,347,901	255,287,201	7,334,004	(6,901,548)
Interest rate futures	10,138,796	824,586	0	10,963,382	17,509	(12,836)
Interest rate options - purchased	799,522	2,536,276	2,188,593	5,524,391	181,485	0
Interest rate options - sold	1,137,239	2,667,881	2,689,606	6,494,726	0	(167,279)
Products trading on stock exchange						
Interest rate futures	1,138,261	0	10,686	1,148,947	5,824	(1,975)
Interest rate options	262,500	0	150,000	412,500	3,662	(3,255)
<b>Foreign exchange rate and gold contracts</b>	<b>51,886,998</b>	<b>8,971,521</b>	<b>1,894,690</b>	<b>62,753,209</b>	<b>896,210</b>	<b>(1,425,303)</b>
OTC products						
Cross-currency interest rate swaps	2,533,555	7,584,615	1,867,979	11,986,149	267,410	(593,889)
Forward foreign exchange contracts	46,624,332	1,187,839	0	47,812,171	578,005	(682,160)
Currency options - purchased	1,247,261	60,005	1,519	1,308,785	48,138	0
Currency options - sold	1,311,728	132,279	1,645	1,445,652	0	(120,046)
Other similar currency contracts	10	0	0	10	10	0
Gold commodity contracts	8,305	6,783	23,547	38,635	930	(25,154)
Products trading on stock exchange						
Currency contracts (futures)	161,807	0	0	161,807	1,717	(4,054)
<b>Equity/index contracts</b>	<b>1,453,433</b>	<b>1,144,659</b>	<b>382,450</b>	<b>2,980,542</b>	<b>82,102</b>	<b>(590,632)</b>
OTC products						
Equity-/index-based options - purchased	177,063	344,239	201,960	723,262	33,306	0
Equity-/index-based options - sold	233,653	321,498	57,226	612,377	0	(172,634)
Other similar equity/index contracts	181,165	405,559	121,965	708,689	4,980	(369,640)
Products trading on stock exchange						
Equity/index futures - forward pricing	596,579	458	1,299	598,336	26,881	(31,793)
Equity/index futures	264,973	72,905	0	337,878	16,935	(16,565)
<b>Commodities</b>	<b>155,274</b>	<b>83,595</b>	<b>24,645</b>	<b>263,514</b>	<b>12,924</b>	<b>(9,623)</b>
<b>Credit derivatives</b>	<b>1,017,437</b>	<b>2,127,287</b>	<b>753,226</b>	<b>3,897,950</b>	<b>163,845</b>	<b>(80,498)</b>
<b>Precious metals contracts</b>	<b>14,430</b>	<b>20,913</b>	<b>13,590</b>	<b>48,934</b>	<b>0</b>	<b>(4,701)</b>

## (46) Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than one year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than one year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

€ 000	2012			2011		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash reserve	6,556,723	6,556,723	0	11,401,747	11,401,747	0
Loans and advances to banks	22,225,565	22,165,582	59,983	25,499,535	25,520,401	(20,866)
Loans and advances to customers	77,989,722	77,859,090	130,631	75,982,501	76,750,667	(768,165)
Financial investments	5,104,482	4,955,812	148,671	5,849,430	5,693,528	155,902
Intangible and tangible fixed assets	2,919,614	2,917,907	1,707	2,578,823	2,577,025	1,798
Other assets	2,037,945	2,037,945	0	2,173,704	2,173,704	0
<b>Liabilities</b>						
Deposits from banks	30,175,450	30,186,449	(10,999)	37,908,510	37,991,809	(83,298)
Deposits from customers	66,538,857	66,297,151	241,706	66,699,404	66,747,234	(47,830)
Debt securities issued	10,765,308	10,812,467	(47,160)	11,565,707	11,900,243	(334,536)
Subordinated capital	2,805,324	3,056,925	(251,601)	2,797,879	3,271,393	(473,514)
Other liabilities	1,515,338	1,515,338	0	1,515,024	1,515,024	0

1 Adjustments of previous year figures due to different mapping

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

€ 000	2012			2011		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Trading assets</b>	<b>2,118,474</b>	<b>8,304,751</b>	<b>93,491</b>	<b>2,861,986</b>	<b>8,630,262</b>	<b>102,882</b>
Positive fair values of derivatives <sup>1</sup>	99,561	7,327,349	92,712	166,781	8,001,726	102,707
Shares and other variable-yield securities	264,612	11,915	723	198,196	11,739	0
Bonds, notes and other fixed-interest securities	1,754,302	965,485	56	2,497,009	609,924	175
Call/time deposits from trading purposes	0	2	0	0	6,872	0
<b>Financial assets at fair value through profit or loss</b>	<b>5,099,215</b>	<b>3,232,801</b>	<b>16,205</b>	<b>5,056,336</b>	<b>2,268,679</b>	<b>34,780</b>
Shares and other variable-yield securities	47,830	105,301	5,072	130,371	118,978	4,745
Bonds, notes and other fixed-interest securities	5,051,385	3,127,501	11,133	4,925,965	2,149,701	30,035
<b>Financial assets available-for-sale</b>	<b>56,362</b>	<b>0</b>	<b>0</b>	<b>3,486,659</b>	<b>0</b>	<b>0</b>
Other interests <sup>2</sup>	56,362	0	0	64,589	0	0
Bonds, notes and other fixed-interest securities	0	0	0	3,422,069	0	0
<b>Derivatives (hedging)</b>	<b>0</b>	<b>701,663</b>	<b>0</b>	<b>0</b>	<b>426,350</b>	<b>0</b>
Positive fair values of derivatives from hedge accounting	0	701,663	0	0	426,350	0

1 Including other derivatives.

2 Includes only securities traded on the stock exchange.

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

€ 000	2012			2011		
	Level I	Level II	Level III	Level I	Level II	Level III
<b>Trading liabilities</b>	<b>787,531</b>	<b>8,360,940</b>	<b>27,642</b>	<b>670,907</b>	<b>9,680,705</b>	<b>112,332</b>
Negative fair values of derivatives financial instruments <sup>1</sup>	165,420	7,613,185	20,320	105,421	8,992,319	57,208
Call/time deposits from trading purposes	0	10,045	0	0	0	0
Short-selling of trading assets	622,111	52		565,486	142	0
Certificates issued	0	737,658	7,322	0	688,244	55,125
<b>Liabilities at fair value through profit and loss</b>	<b>0</b>	<b>3,357,758</b>	<b>0</b>	<b>0</b>	<b>3,345,911</b>	<b>0</b>
Debt securities issued <sup>3</sup>	0	2,477,634	0	0	2,466,571	0
Subordinated capital	0	880,124	0		879,340	0
<b>Derivatives (hedging)</b>	<b>0</b>	<b>119,933</b>	<b>0</b>	<b>0</b>	<b>42,702</b>	<b>0</b>
Negative fair values of derivatives from hedge accounting	0	119,933	0	0	42,702	0

1 Including other derivatives.

2 Includes only securities traded on the stock exchange.

3 Including subordinated capital.

Level I Quoted market prices

Level II Valuation techniques based on market data

Level III Valuation techniques not based on market data

## 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.

€ 000	As of 1/1/2012	Changes in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	102,882	0	(4,895)	0	(114)
Financial assets at fair value through profit or loss	34,780	0	(59)	335	(26,701)

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2012
Trading assets	(5,104)	0	723	0	93,491
Financial assets at fair value through profit or loss	(4,295)	0	12,145	0	16,205

€ 000	As of 1/1/2012	Changes in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	112,332	0	0	437	(87,092)

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2012
Trading liabilities	1,965	0	0	0	27,642

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted in 2012 to minus € 7.434 thousand (2011: plus € 106.408 thousand).



## (48) Contingent liabilities and commitments

€ 000	2012	2011
<b>Contingent liabilities</b>	<b>11,706,829</b>	<b>13,280,487</b>
Acceptances and endorsements	37,670	43,693
Credit guarantees	6,507,029	7,417,798
Other guarantees	2,375,399	2,698,867
Letters of credit (documentary business)	2,732,703	3,072,307
Other contingent liabilities	54,028	47,821
<b>Commitments</b>	<b>10,609,130</b>	<b>12,624,734</b>
Irrevocable credit lines and stand-by facilities	10,609,130	12,624,734
Up to 1 year	3,970,674	4,842,840
More than 1 year	6,638,456	7,781,894

The following table contains revocable credit lines which are unweighted according to Basel II:

€ 000	2012	2011
<b>Revocable credit lines</b>	<b>16,223,936</b>	<b>14,847,947</b>
Up to 1 year	11,382,177	11,965,514
More than 1 year	3,625,806	2,882,434
Without maturity	1,215,953	0

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

## (49) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

€ 000	2012	2011
Loans and advances to banks	8,239	9,509
Loans and advances to customers	267,512	342,863
Financial investments	9,293	7,262
Other fiduciary assets	70,175	45,741
<b>Fiduciary assets</b>	<b>355,219</b>	<b>405,374</b>
Deposits from banks	115,565	113,085
Deposits from customers	160,388	239,457
Other fiduciary liabilities	79,266	52,832
<b>Fiduciary liabilities</b>	<b>355,219</b>	<b>405,374</b>

Fiduciary income and expenses break down as follows:

€ 000	2012	2011
Fiduciary income	5,911	7,019
Fiduciary expenses	210	827

The following table contains the funds managed by RBI:

€ 000	2012	2011
<b>Retail investment funds</b>	<b>6,578,312</b>	<b>4,976,007</b>
Equity-based and balanced funds	4,478,591	3,004,068
Bond-based funds	1,948,411	1,700,639
Money market funds	93,311	232,330
Other	57,999	38,970
<b>Special funds</b>	<b>1,049,481</b>	<b>992,300</b>
<b>Property-based funds</b>	<b>125,375</b>	<b>69,699</b>
<b>Total</b>	<b>7,753,169</b>	<b>6,038,006</b>

## (50) Capital management and regulatory own funds according to the Austrian Banking Act (BWG)

Capital was and is an integral part of bank management. RBI as an international Group considers several control parameters. From a regulatory view, RBI is part of the RZB credit institution group. Moreover, RBI – on an individual basis – has to adhere to the legal own funds regulations.

Regulatory values are defined for RBI on an individual basis by the Austrian Banking Act based on adequate guidelines of the EU. There are also – often deviating with regard to content – guidelines in the several countries in which RBI operates. Such guidelines have to be adhered to by the local Group units.

RBI uses target values for internal regulation, which comprise all risk types (including trading book, currency risk and operational risk). The current planning/budgeting is shaped by the developments in Basel and Brussels regarding the advancement and harmonizing of own funds regulations. Parallel to the development of these regulations, RBI will introduce new target values, which are sufficiently above the 7 per cent core tier 1 capital (according to full expansion stage Basel III) in order to avoid regulatory limitations regarding management decisions (e.g. amount of dividend). An additional dimension has been added with the requirements of the European Banking Authority (EBA). Here the underlying rules differ from the previously valid regulations of the Austrian Banking Act (BWG), as well as from the drafts contained in the CRR I/CRD IV.

Control on a Group level is exerted in cooperation between the departments Treasury, Planning & Finance and Group Strategy. The individual Group units are responsible for the observation of the capital targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus in the control is on the core tier 1 ratio (common equity tier 1) and the internal capital (total equity ratio) within the framework of ICAAP. Accordingly, the mixture of capital instruments (several kinds of tier 1, tier 2 and tier 3 capitals) has an important role due to the complex mutual consideration limits (currently under Basel II). Tier 3 capital, however, plays a minor role, since this kind of capital will no longer be eligible under Basel III and CRR I/CRD IV. Moreover, it is expected that the mutual consideration limits under Basel III and CRR I/CRD IV will be abandoned.

Besides that, the risk taking capacity is calculated in the framework of regulatory limits. It is defined as the maximum loss, which the bank or the banking group may encounter during the current calendar year without falling short of the regulatory minimum capital values.

The current regulatory discussions and publications of the Basel Committee, EU Committees and the Austrian Regulatory Authority in connection with the new regulatory guidelines (Basel III) are demonstrated in scenario calculations by Planning & Finance and Risk Controlling. The effects are immediately considered in planning and control in case of a certain occurrence probability.

The determination of the target values in relation to the compulsory minimum requirements needs additional internal control calculations. The department Risk Controlling calculates the value-at-risk in comparison with the above defined risk taking capacity. Moreover, a balance between economic capital and the respective cover is drawn. The economic capital is integral part of the planning and control of RBI. Further details regarding this calculation are stated in the risk report.

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

In the reporting year, the determination of eligible own funds in accordance with Section 29a of the Austrian Banking Act was changed to international accounting standards. The comparable figures are based on BWG / UGB and have not been adjusted. The own funds of RBI break down as follows:

€ 000	2012	2011 <sup>1</sup>
Paid-in capital	5,668,616	4,933,077
Earned capital	3,071,012	3,031,101
Non-controlling interests	848,310	1,171,016
Hybrid tier 1 capital	441,252	800,000
Intangible fixed assets	(750,409)	(501,178)
<b>Core capital (tier 1 capital)</b>	<b>9,278,781</b>	<b>9,434,016</b>
Deductions from core capital	(13,595)	(18,591)
<b>Eligible core capital (after deductions)</b>	<b>9,265,186</b>	<b>9,415,426</b>
Supplementary capital according to Section 23 (1) 5 BWG	33,844	598,742
Provision excess of internal rating approach positions	225,893	233,696
Long-term subordinated capital	3,080,221	2,535,571
<b>Additional own funds (tier 2 capital)</b>	<b>3,339,958</b>	<b>3,368,009</b>
Deduction items: participations, securitizations	(13,595)	(18,591)
<b>Eligible additional own funds (after deductions)</b>	<b>3,326,363</b>	<b>3,349,419</b>
Deduction items: insurance companies	(8,366)	(7,075)
Tier 2 capital available to be redesignated as tier 3 capital	302,070	100,079
<b>Total own funds</b>	<b>12,885,253</b>	<b>12,857,848</b>
<b>Total own funds requirement</b>	<b>6,625,725</b>	<b>7,624,128</b>
Excess own funds	6,259,528	5,233,720
Excess cover ratio	94.5%	68.6%
Core tier 1 ratio, total	10.7%	9.0%
Tier 1 ratio, credit risk	13.6%	12.2%
Tier 1 ratio, total	11.2%	9.9%
Own funds ratio	15.6%	13.5%

<sup>1</sup> Comparable figures are based on BWG / UGB

The total own funds requirement is as follows:

€ 000	2012	2011
<b>Risk-weighted assets according to section 22 BWG</b>	<b>68,136,388</b>	<b>77,150,488</b>
of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG	5,450,911	6,172,039
Standardized approach	2,439,006	3,056,099
Internal rating approach	3,011,905	3,115,940
Settlement risk	1	7
Own funds requirement for position risk in bonds, equities and commodities	273,353	519,912
Own funds requirement for open currency positions	55,977	140,139
Own funds requirement for operational risk	845,483	792,031
<b>Total own funds requirement</b>	<b>6,625,725</b>	<b>7,624,128</b>

Risk-weighted assets decreased in particular due to the stricter own funds requirement and the resulting core tier 1 ratio of 9 per cent (core tier 1 as defined by EBA) which was decided in the fall of 2011 by the EBA and was to be met by 30 June 2012.

Risk-weighted assets for the credit risk according to asset classes break down as follows:

€ 000	2012	2011
<b>Risk-weighted assets according to section 22 BWG on standardized approach</b>	<b>30,487,575</b>	<b>38,201,238</b>
Central governments and central banks	2,063,350	3,518,188
Regional governments	97,513	99,000
Public administration and non-profit organizations	4,200	22,250
Multilateral development banks	1,150	0
Banks	368,225	699,488
Corporate customers	13,242,525	21,186,063
Retail customers	11,397,075	9,443,875
Covered bonds	1,313	1,313
Mutual funds	111,225	117,575
Other positions	3,201,000	3,113,488
<b>Risk-weighted assets on internal rating approach</b>	<b>37,648,813</b>	<b>38,949,250</b>
Central governments and central banks	402,650	38,838
Banks	3,702,150	4,378,813
Corporate customers	30,537,675	32,097,350
Retail customers	2,811,838	2,170,575
Equity exposures	90,238	225,725
Securitization position	104,263	37,950
<b>Total</b>	<b>68,136,388</b>	<b>77,150,488</b>

## (51) Average number of staff

Full-time equivalents	2012	2011
Salaried employees	59,981	59,046
Wage earners	943	975
<b>Total</b>	<b>60,924</b>	<b>60,021</b>

Full-time equivalents	2012	2011
Austria	2,665	2,709
Foreign	58,259	57,312
<b>Total</b>	<b>60,924</b>	<b>60,021</b>

## (52) Expenses on severance payments and retirement benefits

€ 000	2012	2011
Members of the management board and senior staff	5,902	7,033
Other employees	22,961	14,267
<b>Total</b>	<b>28,863</b>	<b>21,299</b>

The same regulations for employees are in principle valid for six members of the Management Board. These regulations provide a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. One member of the Management Board has a defined benefit plan. Four members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and retirement from the company, two members of the Management Board are entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz) or Bank Collective Agreement (Bankenkollektivvertrag), two members of the Management Board according to contractual agreements and three members of the Management Board according to the Company Retirement Plan Act (Betrieblichen Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to the Salaried Employee Act or according to contractual agreements lapses with the exemption of one member of the Management Board in case of termination by the employee. For one member of the Management Board entitlement to severance payments has been converted in the course of merger-related changes of exist-

ing contracts. Corresponding payments were made in the years 2011 and 2012, in the financial year 2012 these amounted to € 1,048 thousand (2011: € 2,022 thousand).

Moreover, protection against the risk of occupational invalidity exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts of the members of the Management Board are concluded for the functional duration or limited to a maximum of five years. The severance payments in case of premature termination of function without good cause shall not exceed more than two years total remuneration.

## (53) Relations to key management

### Group relations of key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG, the parent company and Raiffeisen Zentralbank Österreich Aktiengesellschaft, the major shareholder. Relations of key management to RBI are as follows (respective fair values):

€ 000	2012	2011
Sight deposits	1,175	155
Bonds	1,444	1,184
Shares	7,799	4,250
Time deposits	5	54
Loans	4	0
Leasing claims	347	71

The following table shows relations of close family members of key management to RBI:

€ 000	2012	2011
Shares	71	45
Time deposits	39	25

There is no compensation agreed between the company and its members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

### Remuneration of members of the Management Board

The members of the Management Board of RBI AG are remunerated as follows:

€ 000	2012	2011
Fixed remunerations	5,752	5,431
Bonus (performance-related)	2,153	793
Share-based remuneration (performance-related)	3,835	373
Payments to pension funds and business insurances	210	1,703
Other remunerations	1,838	1,694
<b>Total</b>	<b>13,788</b>	<b>9,621</b>
hereof remunerations of affiliated companies	568	144

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

Performance-based remuneration components of the Management Board consist of bonus payments of the year 2012 actually paid and the amount of allotted shares regarding SIP (see share-based remuneration under note (34) equity).

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

For three members of the Management Board who changed from RZB to RBI the bonus calculation for 2010 was performed according to RZB return on equity (ROE). According to the contractual provisions applicable to these persons until the end of

2010 bonus payments were granted, of which € 297 thousand were paid in 2012 and € 644 thousand will be due in 2013. The actual payment is at the discretion of the Personnel Committee of RBI AG.

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

Compared to 2011, the stated amounts of fixed and performance-based remunerations are distorted due to one-off effects caused by the retirement and new entry of one member of the Management Board.

### Remuneration of members of the Supervisory Board

€ 000	2012	2011
Remunerations supervisory board	550	423

The Annual General Meeting held on 20 June 2012 decided an annual remuneration for the members of the Supervisory Board of € 550 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 20 June 2012 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees are not paid.

Thus, in the financial year, € 550 thousand was paid to the members of the Supervisory Board. In the previous year, the members of the Supervisory Board received remunerations of € 423 thousand.

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

## (54) Boards

### Management Board

Members of the Management Board	First assignment	End of period
Herbert Stepic, Chairman	14 June 2001	31 December 2015
Karl Sevelda, Deputy Chairman	22 September 2010	31 December 2015
Aris Bogdaneris	1 October 2004	31 December 2015
Patrick Butler	22 September 2010	15 April 2012 <sup>1</sup>
Klemens Breuer	16 April 2012	31 December 2015 <sup>2</sup>
Martin Grüll	3 January 2005	31 December 2015
Peter Lennkh	1 October 2004	31 December 2015
Johann Strobl	22 September 2010	31 December 2015

<sup>1</sup> Patrick Butler, resigned from membership of the Management Board as of 15 April 2012.

<sup>2</sup> Due to the resignation of Patrick Butler the Supervisory Board appointed Klemens Breuer as successor for this function for the duration from 16 April 2012 until 31 December 2015 in January 2012.

## Supervisory Board

The Supervisory Board of RBI AG is as follows:

Members of the Supervisory Board	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2016
Erwin Hameseder, 1st Deputy Chairman	8 July 2010 <sup>1</sup>	AGM 2015
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2017
Ludwig Scharinger, 2nd Deputy Chairman	8 July 2010 <sup>1</sup>	20 June 2012
Markus Mair, 3rd Deputy Chairman	8 July 2010 <sup>1</sup>	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2014
Kurt Geiger	9 June 2009	AGM 2014
Hannes Schmid	8 July 2010 <sup>1</sup>	20 June 2012
Günther Reibersdorfer	20 June 2012	AGM 2017
Johannes Schuster	8 July 2010 <sup>1</sup>	AGM 2015
Friedrich Sommer	8 July 2010 <sup>1</sup>	AGM 2015
Christian Teuffl	8 July 2010 <sup>1</sup>	AGM 2015
Martin Prater <sup>2</sup>	10 October 2010	Until further notice
Rudolf Kortenhof <sup>2</sup>	10 October 2010	Until further notice
Peter Anzeletti-Reikl <sup>2</sup>	10 October 2010	Until further notice
Sabine Chadi <sup>2</sup>	10 October 2010	18 January 2012
Suanne Unger <sup>2</sup>	18 January 2012	Until further notice
Helge Rechberger <sup>2</sup>	10 October 2010	Until further notice

<sup>1</sup> Effective as of 10 October 2010

<sup>2</sup> Staff council delegates

## Committees of the Supervisory Board

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

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee
Walter Rothensteiner	Chairman	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Ludwig Scharinger <sup>1</sup>	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Heinrich Schaller <sup>2</sup>	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Johannes Schuster	Member	Member	Member	Member
Martin Prater	Member	Member	-	Member
Rudolf Kortenhof	Member	Member	-	Member
Peter Anzeletti-Reikl	Member	Member	-	Member

<sup>1</sup> End of the functional period on 20 June 2012

<sup>2</sup> Assignment by the Supervisory Board on 20 September 2012

## (55) Subsequent events

There were no material subsequent events after the reporting date.

## (56) List of fully consolidated companies

The following table shows a selection of companies of the consolidated group. The complete list of the equity participations of RBI AG is deposited with the Group parent's headquarters.

Company, domicile (country)	Subscribed capital <sup>2</sup> in local currency		Share <sup>2</sup>	Type <sup>1</sup>
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Commodities Malaysia Sdn Bhd, Kuala Lumpur (MY)	1,400,000	MYR	100.0%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	OT
Centrotrade Minerals & Metals Inc., Chesapeake (US)	3,002,000	USD	100.0%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	100.0%	OT
F.J. Elsner & Co. Gesellschaft mbH, Vienna (AT)	436,037	EUR	100.0%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	USD	100.0%	FI
JLLC "Raiffeisen-leasing", Minsk (BY)	4,300,250,000	BYR	83.9%	FI
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	80.0%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
Non-state pension fund Raiffeisen, Moscow (RU)	513,000,000	RUB	100.0%	FI
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	87.5%	FI
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	87.7%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	2,997,575,532	UAH	96.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	237,388,000	BAM	100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (RS)	58,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	1,250,893,080	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.5%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	165,023,000,000	HUF	100.0%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Banka d.d., Maribor (SI)	17,578,052	EUR	99.3%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen Compulsory Pension Fund Management Company, joint stock comp., Zagreb (HR)	110,000,000	HRK	75.0%	FI
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	500,000	HUF	87.5%	OT
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	75.0%	FI
Raiffeisen Insurance Agency Sp.z.o.o., Warsaw (PL)	200,000	PLN	87.5%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Leasing Aval LLC, Kiev (UA)	180,208,527	UAH	93.5%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	81.1%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	87.5%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	75.0%	FI
Raiffeisen Leasing d.o.o., Sarajevo (BA)	17,774,281	BAM	87.2%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	87.2%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	92.5%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	93.8%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,800,000	HUF	87.5%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	100.0%	BA
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	9,357,000,000	CZK	75.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	75.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	75.0%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	87.5%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	75.0%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	50,000,000	CZK	75.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	100.0%	FI
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR

<sup>1</sup> Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT...Other companies, VV...Insurance, WP...Securities firms  
<sup>2</sup> Less own shares



Company, domicile (country)	Subscribed capital <sup>2</sup> in local currency	Share <sup>2</sup>	Type <sup>1</sup>
RI Eastern European Finance B.V., Amsterdam (NL)	400,000 EUR	100.0%	FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000 EUR	51.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	2 EUR	100.0%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	1,000 EUR	100.0%	FI
RZB Finance (Jersey) IV Limited, St. Helier (JE)	2,000 EUR	100.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700 EUR	78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228 EUR	78.8%	BA
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,784 EUR	76.8%	FI
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000 KZT	75.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000 UAH	100.0%	BR
ZAO Raiffeisenbank, Moscow (RU)	36,711,260,000 RUB	100.0%	BA
ZUNO BANK AG, Vienna (AT)	5,000,000 EUR	100.0%	BA

<sup>1</sup> Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT...Other companies, WV...Insurance, WP...Securities firms  
<sup>2</sup> Less own shares

## (57) List of equity participations

The following tables show a selection of equity participations. The complete list of the equity participations of RBI AG is deposited with the Group parent's headquarters.

### Companies valued at equity

Company	Subscribed capital in local currency	Share	Type <sup>1</sup>
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560 RON	33.3%	BA

<sup>1</sup> Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT...Other companies, WV...Insurance, WP...Securities firms

### Other non-consolidated subsidiaries and equity participations

Company	Subscribed capital in local currency	Share	Type <sup>1</sup>
CEESEEG Aktiengesellschaft, Vienna (AT)	18,620,720 EUR	7.0%	SC
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	10,930,530 RON	33.3%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000 RUB	25.0%	WV
OOO "Raiffeisen Capital", Moscow (RU)	225,000,000 RUB	100.0%	FI
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100 EUR	9.7%	OT
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000 BGN	100.0%	FI
Raiffeisen Befektelési Alapkezelő Zrt., Budapest (HU)	100,000,000 HUF	100.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000 RON	100.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000 HRK	100.0%	FI
Raiffeisen Factoring Ltd., Sofia (BG)	1,000,000 BGN	100.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500 PLN	100.0%	FI
RAIFFEISEN FUTURE AD, Belgrade (RS)	143,204,921 RSD	100.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000 RON	100.0%	BR
RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS)	56,465,730 RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000 HRK	100.0%	FI
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000 ALL	100.0%	FI
Raiffeisen Investment (Bulgaria) EOOD, Sofia (BG)	60,050 BGN	100.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000 HRK	100.0%	FI
Raiffeisen Research GmbH, Vienna (AT)	55,000 EUR	51.0%	BR
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000 CZK	10.0%	BA
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000 HRK	100.0%	BR
Raiffeisen Voluntary Pension Funds Management d.o.o., Zagreb (HR)	33,445,300 HRK	100.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000 EUR	12.5%	FI
Tatra Group Servis, a.s., Bratislava (SK)	12,281,800 EUR	99.5%	BR
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	40,408,000 HRK	3.3%	SC

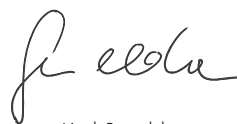
<sup>1</sup> Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT...Other companies, WV...Insurance, WP...Securities firms

Vienna, 11 March 2013

The Management Board



Herbert Stepic



Karl Sevelda



Aris Bogdaneris



Klemens Breuer



Martin Grill



Peter Lennkh



Johann Strobl

# Auditor's report

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the year from 1 January 2012 to 31 December 2012. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2012 and a summary of significant accounting policies and other explanatory notes.

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

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2012 and of its financial performance and its cash flows for the year from 1 January to 31 December 2012 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

### Report on the Management Report for the Group

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

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

Vienna, 11 March 2013

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Rainer Hassler

Wirtschaftsprüfer



Mag. Bernhard Mechtler

Wirtschaftsprüfer

(Austrian Chartered Accountants)

# Statement of all legal representatives

We confirm to the best of our knowledge that the 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 Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

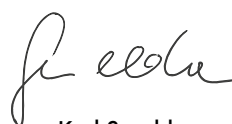
Vienna, 11 March 2013

The Management Board



**Herbert Stepic**

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



**Karl Sevelda**

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



**Aris Bogdaneris**

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



**Klemens Breuer**

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



**Martin Grill**

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



**Peter Lennkh**

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



**Johann Strobl**

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

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Service

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# Glossary

**Back testing** – The backward comparison of VaR figures with actual results to test the quality of a model.

**Basel II** – The body of capital adequacy regulations proposed in recent years by the “Basel Committee,” an international forum dedicated to improving bank supervision. According to EU Directives 2006/48/EC and 2006/49/EC, the regulations must be applied in the member states of the European Union from 1 January 2007 onwards to all banks and financial service institutions. As in the case of the Basel I Accord, the goal is to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The main objective of the changes made by Basel II compared to Basel I is to orient capital adequacy requirements prescribed by regulators more effectively to actual risk and hence approximate the capital requirements internally ascertained by banks.

**Basel III** – Basel-II-regulatory broadened with the experiences and insights of the financial and economic crisis to harmonize incurred risks and the bank’s risk-taking capacity (deduced from the equity’s amount and quality).

**BIS** – Bank for International Settlement. International organization supporting the cooperation between the monetary and financial sector.

**BWG** – Austrian Banking Act.

**CE** – Central Europe. For RBI this segment encompasses the Czech Republic, Hungary, Poland, Slovakia and Slovenia.

**CEBS** – Committee of European Banking Supervisors. Advisor of the European Commission regarding policy and regulatory issues in banking supervision and supporting the cooperation between supervisors in the European Union, especially in developing guidelines and recommendations for financial institutions and supervisors.

**CEE** – Central and Eastern Europe.

**CIS** – Commonwealth of Independent States, consisting predominantly of territories of the former Soviet Union.

**Consolidated ROE** – Return on Consolidated Equity, i.e. the equity attributable to the shareholders of RBI. It is calculated by consolidated profit in relation to average equity on the statement of financial position (excluding non-controlling interests). Average equity is based on month-end figures excluding non-controlling interest and does not include current year profit.

**Country risk** – This comprises transfer and convertibility risk as well as political risk.

**Core capital** – So called tier 1 capital, involves regulatory core capital as defined in Section 23 BWG.

**Core tier 1 ratio, total** – The ratio’s numerator is core capital without taking hybrid capital into account and its denominator are the total risk-weighted assets.

**Cost/income ratio** – Indicator of an entity’s cost efficiency based on the ratio of expenses to earnings. It is calculated by comparing general administrative expenses with operating income.

**Credit exposure** – Comprises all exposures on the statement of financial position (loans, debt securities) and all exposures off the statement of financial position (guarantees, commitments) that expose RBI to credit risk.

**Credit risk** – See default risk.

**Credit spread (or simply “spread”)** – Difference in yield between top-rated bonds (usually government bonds) and bonds with the same residual maturity but lower issuer quality.

**Cross-selling** – Marketing strategy in which additional products and services are actively offered to existing customers.

**Default risk** – Risk that counterparties in a financial transaction will not be able to fulfil an obligation, causing the other party a financial loss.

**Earnings per share (EPS)** – Adjusted consolidated profit (after deduction of dividend for participation capital) divided by the weighted average number of ordinary shares outstanding.

**EBRD (European Bank for Reconstruction and Development)** – An institution that promotes the transition to an open market economy and to private and entrepreneurial action in the countries of Central and Eastern Europe. Through its investments, it supports activity of the private sector and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

**Excess cover ratio (own funds)** – Relation of excess own funds to total own funds requirement.

**Funding** – All means used by banks for the purpose of refinancing.

**General administrative expenses (operating expenses)** – Comprise staff expenses, other administrative expenses and depreciation on intangible and tangible fixed assets.

**IFRIC, SIC** – International Financial Reporting Interpretations Committee – committee responsible for the official interpretation of the International Financial Reporting Standards, formerly also SIC (Standing Interpretations Committee).

**IFRS, IAS** – The International Financial Reporting Standards or International Accounting Standards are reporting standards published by the IASB (International Accounting Standards Board) with the goal of achieving transparent and comparable accounting on an international basis.

**Interest-bearing assets** – Total assets less trading assets, derivatives, intangible fixed assets, fixed assets and other assets.

**IPO** – Initial public offering.

**IRB (Internal Ratings-Based approach)** – Approach to measure the own funds requirement for credit risks in accordance with Basel II. By applying the IRB approach, the own funds requirement is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

**Liquidity risk** – Risk that a bank could be unable to meet its current and future financial obligations in full or in good time. This arises from the danger that, e.g. refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

**Loan to local stable funding ratio** – The sum of total loans and advances to customers, minus impairment losses on loans, divided by the sum of deposits from nonbanks, funding from supranational institutions, capital from third parties and the total outstanding securities (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank’s consolidated group).

**Loan/deposit ratio** – Loan and advances to customers in relation to deposits from customers.

**Market capitalization** – The number of issued shares multiplied by the share price.

**Market risk** – The risk that the value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

**Monte-Carlo-Simulation** – Numerical method to aggregate risks to evaluate specific risks concerning their influence on corresponding income statement items.

**Net interest margin (average assets)** – Net interest income in relation to average total assets.



**Net interest margin (average interest-bearing assets)** – Net interest income in relation to average interest-bearing assets.

**Non-performing loans** – is defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue more than 90 days on any material credit obligation (RBI has defined 12 default indicators).

**NPL coverage ratio** – Risk provisions for loans and advances to customers in relation to non-performing loans to customers.

**NPL ratio** – Non-performing loans in relation to total loans and advances to customers.

**Operating income** – Comprises net interest income, net fee and commission income, net trading income and other net operating income.

**Operating result** – In IFRS-compliant financial statements, it consists of operating income less general administrative expenses (operating expenses).

**Operational risk** – Risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

**Own funds according to BWG** – Consist of core capital (tier 1), additional and subordinated capital (tier 2) and short-term subordinated capital and rededicated tier 2 capital (tier 3).

**Own funds ratio** – The ratio's numerator is own funds within the meaning of the Austrian Banking Act (BWG) and its denominator is the own funds requirement multiplied by 12.5.

**Own funds requirement according to BWG** – Defined in Section 22 (1) BWG and involves the requirement for the credit risk, for position risk in bonds, equities and commodities and for position risk in foreign currency and for the operational risk.

**Portfolio-based loan loss provisions** – Impairment provisions for portfolios of loans with identical risk profiles that may be compiled under certain conditions.

**Premium banking** – Support for wealthy customers that includes additional and above all more individually tailored products in comparison to the customary support for private customers.

**Provisioning ratio (average loans and advances to customers)** – Risk valuation ratio. Provisioning for impairment losses in relation to average loans and advances to customers.

**Quarter-on-quarter** – Compared to the quarter which precedes the quarter under consideration; for example, the third quarter of 2012 in comparison to the second quarter of 2012.

**RBI** – The Group of Raiffeisen Bank International.

**Risk-weighted assets (credit risk)** – This is the sum of the weighted accounts receivable and includes receivables in the form of asset items, items off the statement of financial position according to Annex 1 of Section 22 and derivatives according to Annex 2 of Section 22 BWG.

**ROE (return on equity)** – Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to weighted average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interest and does not include current year profit.

**RZB** – The Group of Raiffeisen Zentralbank Österreich AG.

**RZB Credit Institution Group** – Pursuant to Section 30 of the Austrian Banking Act (BWG), the RZB Credit Institution Group is made up of all banks, financial institutions, securities companies and companies rendering banking related services in which RZB holds direct or indirect interests or has control as a superordinate institution.

**Scorecard** – A statistical tool in risk management for estimating risk parameters, typically used to determine probability of default or the loss-given default-ratio.

**SEE** – The Southeastern Europe segment. For RBI this segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania (incl. Moldova) and Serbia.

**Stress tests** – Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

**Tax rate** – Relation of income taxes to profit before tax.

**Tier 1 ratio (credit risk)** – This ratio's numerator is core capital (tier 1) and its denominator is the risk-weighted assets of credit risk.

**Trading book** – Bank regulators' term for assets held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

**UGB** – (Austrian) Commercial Code.

**VaR** – Value at risk expresses the potential loss that will, with a 99 per cent probability, not be exceeded within the period for which an asset is held in the portfolio in question.

**Wholesale funding** – Refinancing of banks by way of external sources, i.e. not through their own funds or customer deposits.

**Year-on-year** – Compared to the point in time, or the time period, which occurs one year before the point in time, or the time period, under consideration; for example, the first half year of 2012 in comparison to the first half year of 2011, or 30 June 2012 in comparison to 30 June 2011.

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