Annual Report 2013

Raiffeisen Bank International

# Look inside 2013

# 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 15 markets.

In CEE, approximately 55,000 employees in around 3,000 business outlets serve some 14.6 million customers. In Austria, RBI is one of the top corporate and investment banks. It is also represented in the world's financial centers, as well as in branches and representative offices in Asia.

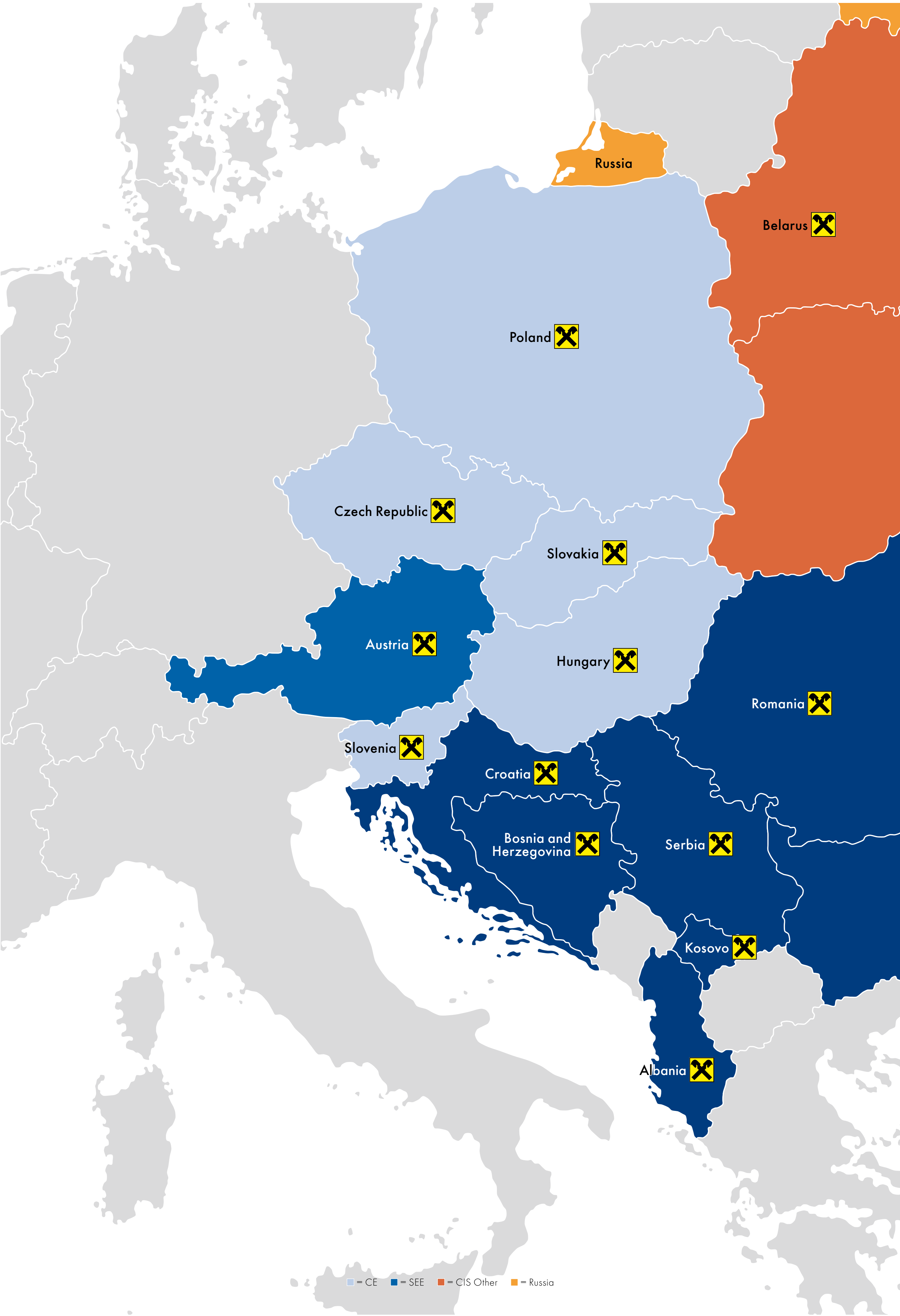
All in all, RBI employs about 58,000 employees and has total assets of approximately € 131 billion.

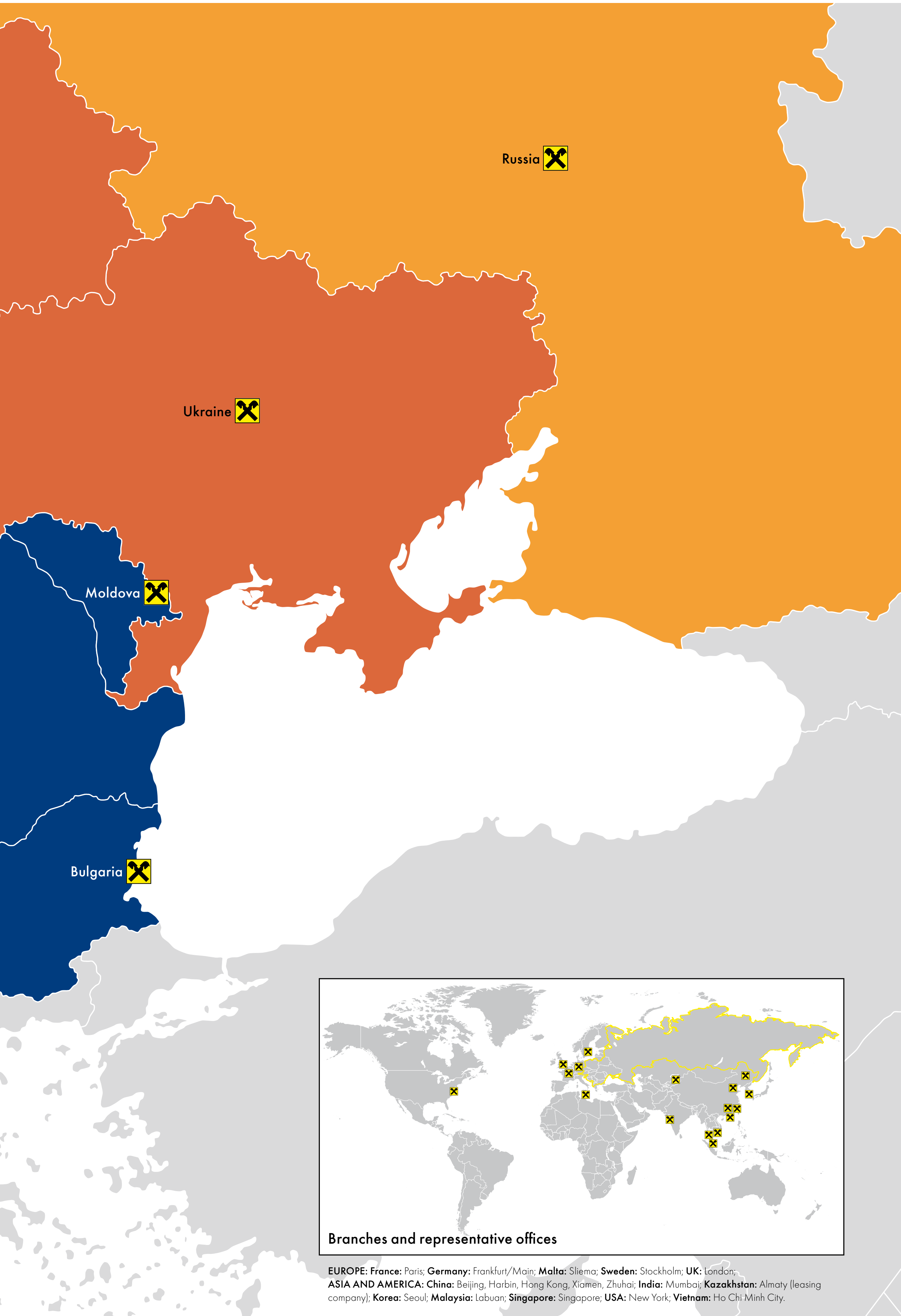
# Overview

## Raiffeisen Bank International Group

| Monetary values in € million | 2013 | Change | 2012 | 2011 |
|---|---|---|---|---|
| **Income statement** | **1/1–31/12** | | **1/1–31/12** | **1/1–31/12** |
| Net interest income | 3,729 | 7.4% | 3,472 | 3,667 |
| Net provisioning for impairment losses | (1,149) | 13.9% | (1,009) | (1,064) |
| Net fee and commission income | 1,626 | 7.2% | 1,516 | 1,490 |
| Net trading income | 321 | 49.6% | 215 | 363 |
| General administrative expenses | (3,340) | 2.5% | (3,258) | (3,120) |
| Profit before tax | 835 | (19.5)% | 1,037 | 1,373 |
| Profit after tax | 603 | (19.8)% | 752 | 974 |
| Consolidated profit | 557 | (23.6)% | 730 | 968 |
| **Statement of financial position** | **31/12** | | **31/12** | **31/12** |
| Loans and advances to banks | 22,243 | (0.4)% | 22,323 | 25,748 |
| Loans and advances to customers | 80,635 | (3.2)% | 83,343 | 81,576 |
| Deposits from banks | 30,105 | (0.3)% | 30,186 | 37,992 |
| Deposits from customers | 66,437 | 0.2% | 66,297 | 66,747 |
| Equity | 10,364 | (4.7)% | 10,873 | 10,936 |
| Total assets | 130,640 | (4.0)% | 136,116 | 146,985 |
| **Key ratios** | **1/1–31/12** | | **1/1–31/12** | **1/1–31/12** |
| Return on equity before tax | 7.8% | (1.8) PP | 9.7% | 13.7% |
| Return on equity after tax | 5.7% | (1.3) PP | 7.0% | 9.7% |
| Consolidated return on equity | 5.5% | (1.9) PP | 7.4% | 10.8% |
| Cost/income ratio | 58.3% | (3.2) PP | 61.5% | 56.0% |
| Return on assets before tax | 0.63% | (0.10) PP | 0.73% | 0.98% |
| Net interest margin (average interest-bearing assets) | 3.11% | 0.46 PP | 2.66% | 2.90% |
| NPL ratio | 10.7% | 0.9 PP | 9.8% | 8.6% |
| Provisioning ratio (average loans and advances to customers) | 1.39% | 0.18 PP | 1.21% | 1.34% |
| **Bank-specific information**[1] | **31/12** | | **31/12** | **31/12** |
| Risk-weighted assets (total) | 79,897 | (3.5)% | 82,822 | 95,302 |
| Total own funds | 12,686 | (1.5)% | 12,885 | 12,858 |
| Core tier 1 ratio, total | 10.7% | 0.0 PP | 10.7% | 9.0% |
| Tier 1 ratio, total | 11.2% | 0.0 PP | 11.2% | 9.9% |
| Own funds ratio | 15.9% | 0.3 PP | 15.6% | 13.5% |
| **Stock data** | **1/1–31/12** | | **1/1–31/12** | **1/1–31/12** |
| Earnings per share in € | 1.83 | (32.6)% | 2.72 | 3.95 |
| Closing price in € (31/12) | 25.62 | (18.6)% | 31.46 | 20.07 |
| High (closing prices) in € | 33.59 | 0.7% | 33.36 | 45.10 |
| Low (closing prices) in € | 19.96 | 7.1% | 18.64 | 14.16 |
| Number of shares in million (31/12) | 195.51 | – | 195.51 | 195.51 |
| Market capitalization in € million (31/12) | 5,009 | (18.6)% | 6,150 | 3,924 |
| Dividend per share in € | 1.02[2] | – | 1.17 | 1.05 |
| **Resources** | **31/12** | | **31/12** | **31/12** |
| Employees as of reporting date | 57,901 | (3.6)% | 60,084 | 59,261 |
| Business outlets | 3,025 | (2.6)% | 3,106 | 2,928 |
| Customers in million | 14.6 | 2.9% | 14.2 | 13.8 |

[1] Calculated according to the Austrian Banking Act (BWG). Raiffeisen Bank International as part of the RZB Group is not subject to the Austrian Banking Act (BWG).
[2] Recommendation to the Annual General Meeting according to the Management Board's decision on 17 February 2014 (refers to the increased number of shares due to the capital increase carried out at the beginning of 2014).
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
Belarus
Poland
Czech Republic
Slovakia
Austria
Hungary
Romania
Slovenia
Croatia
Bosnia and Herzegovina
Serbia
Kosovo
Albania
= CE
= SEE
= CIS Other
= Russia




Branches and representative offices

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

# Overview of RBI

# "Capital increase confirms the success of our business model"

## Interview with CEO Karl Sevelda

**Mr. Sevelda, you have been RBI's CEO since June 2013. Did your appointment come as a surprise to you?**
It certainly did. All the signs pointed to a medium-term planned succession for Herbert Stepic and me in 2015. After Mr. Stepic offered to resign, I was asked, as his deputy, whether I wanted to assume this position until mid-2017. After considering the matter briefly, I wholeheartedly accepted. It is a great honor, but also a challenging task in view of the environment, and one that involves a great deal of responsibility. So far, Mr. Stepic, my colleagues on the Management Board and I, have steered the company well through this ongoing crisis and period of transition. While we expect the overall economic conditions to improve, we – like nearly all other banks – will still have to clear a number of hurdles in 2014, and beyond.

**How would you assess the first few months in your new position?**
They have been very positive. I have become even better acquainted with the organization and many employees, and have got involved in many interesting topics. I have been very impressed by the qualifications and commitment, as well as the team spirit of our staff. This makes me feel very confident about the upcoming projects and challenges. Moreover, we are in the fortunate position of having a sustainable strategy, which is based on a properly functioning and demonstrably successful business model. Furthermore, our Group's origins, support, and head office are in Austria, a country with a top rating. Compared to many competitors, we are therefore in a very good starting position. However, we must keep on improving, by critically examining what we can do better, or more efficiently, and also what we should no longer be doing.

**And how do you rate the 2013 fiscal year?**
Although my assessment is mixed, the positive aspects do predominate. Due to a considerably higher interest margin, we were able to raise our net interest income by 7 per cent. As other income components also increased, while our general administrative expenses were only slightly higher, our operating result rose by 17 per cent. I consider this a success, given the subdued state of the economy and the low interest rate environment, which is unfavorable for banks. However, there were also some developments that we are not fully satisfied with. These include the increase in risk costs. Our net provisioning for impairment losses rose by 14 per cent to 1.1 billion euros in 2013, and our NPL ratio deteriorated by 0.9 percentage points to 10.7 per cent. Both developments are mainly attributable to problematic cases in the corporate customer business. These lowered our net profit, as did the negative valuation results of our own issues, though we performed quite well at the operating level. It was foreseeable, however, in view of the positive one-off effects in 2012, that it would be extremely difficult to achieve as good a result in 2013. All in all, our consolidated profit of 557 million euros was 24 per cent lower than in 2012. However, despite the above-mentioned positive underlying trend in our operating business, we must take the right steps for the future now. If we do not, we will be unable to continue to sustainably strengthen our Group, as well as secure RBI's long-term independence and autonomy. The Management Board has therefore defined three strategic priorities: focus markets, cost cutting, and capital strengthening.

**How many focus markets have you defined and how were they selected?**
We want to concentrate on six markets: Russia, Poland, the Czech Republic, Slovakia, Romania, and Austria. We carried out a very thorough study of all the markets in which we are represented with banks. Criteria such as market size, growth potential, our own market position, the contribution to Group earnings, as well as the strength and quality of our customer relationships, were assessed. The defined markets are either stable or large markets. Poland meets both criteria. It is the biggest country in Central Europe and has emerged from the crisis better than all other states in the EU. This is why the integration of Polbank, where we made considerable progress in 2013, is so important. The two other large markets are Russia and Romania, where the performance of our banks has been extremely satisfactory. While the economies of Austria, the Czech Republic and Slovakia are smaller, they are stable due to strong export rates and high GDP per capita. We are willing to invest additional resources in these six markets, if the demand for financial products picks up.

**Costs increased again in 2013. How do you want to reverse the trend?**
In terms of the numbers, that is correct. However, the main reason why general administrative expenses increased by 2 per cent was as we did not consolidate Polbank until May 2012. This means that it was first reflected over the full financial year in the balance sheet for 2013. Without that effect, we would have succeeded in keeping general administrative expenses virtually on the same level. Although we have already been able to save a considerable amount of costs in a number of network banks, we started to set up and implement a Group-wide cost-cutting program last autumn. Named "Fit for Future 2016", the program aims to lower costs to the level of 2012 by 2016. This means that over the coming three years, we will more than offset inflation and save about 450 million euros in total. Of importance to us is that costs are not cut at the expense of earnings.

**Which measures will you take to attain this goal?**
We plan to implement a wide range of measures as part of this program. These relate in part to our external expenses, which amount to more than 1 billion euros a year. We want to generate savings by consolidating purchasing activities and Group-wide contracts. This will be done through our procurement – i.e., central purchasing – unit. However, we will also renegotiate existing contracts and optimize the number of our suppliers. Moreover, we will extend the scope of services of our Shared Service Centers, which mainly involves joint processing. In addition, we will evaluate the areas and products for which we can establish further Shared Service Centers throughout the Group, or regionally. We also want to raise the degree of standardization in our IT infrastructure; while at the same time working towards the consolidation of datacenters. Of course, we also regularly review ways to optimize our branch network and expand alternative distribution channels. These are just some of the steps we will take. We will be initiating further measures, and identifying several new projects, in the course of this cost-cutting program. Each and every employee is invited to come up with ideas.

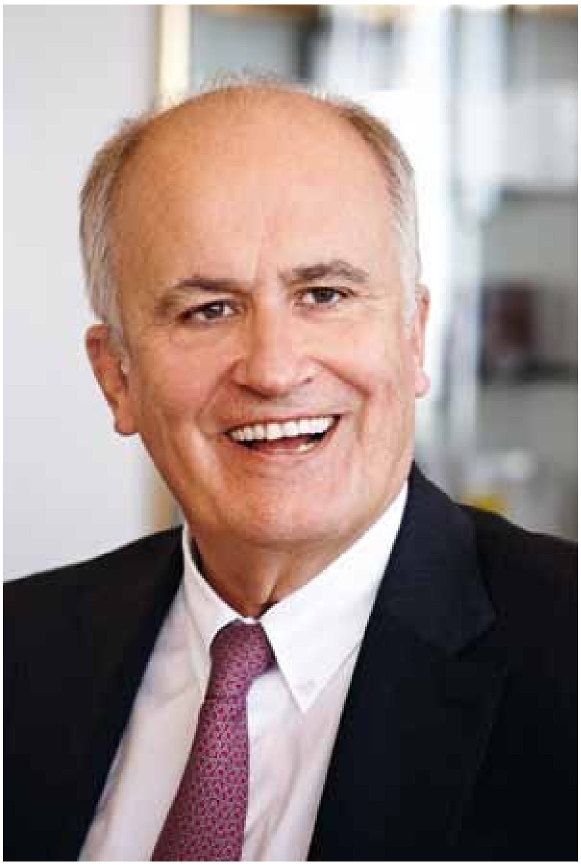
**What is your target cost/income ratio?**
We want to achieve a cost/income ratio of 50 to 55 per cent by 2016. In 2013, we managed to lower it 3.2 percentage points to 58.3 per cent. However, this is only one element; it is far more important that the consolidated profit and return on equity are appropriate, and that RBI, therefore, remains a lucrative investment for shareholders, as well as an attractive employer for its staff. Of course, strengthening our equity – our third strategic area of focus – was, and is, an important step in that direction.

**You carried out a large capital increase in January 2014. What are the next steps?**
We were very satisfied with the almost 2.8 billion euro result of the capital increase. Also the fact that RZB, our core shareholder, enlisted 750 million euros in the pre-placement was positively viewed. The positive outcome of the transaction confirms that our business model remains promising, and that we have correctly identified the areas in which we want to further improve. Furthermore, the resulting higher free float after the capital increase has made our shares more attractive. The shares are now more heavily weighted in important international indexes and again included in the ATX five. As a result, the shares will be more interesting to both private and large institutional investors. A key reason for the capital increase was to strengthen RBI's equity base to comply with the new Basel III rules, under which participation capital counts towards common equity tier 1 (CET 1) during the transition period only. The capital increase has improved the fully phased-in CET 1 ratio to 10.1 per cent. I also want to emphasize that, at 5.7 per cent, our leverage ratio is very good compared to that of many other banks.

**What products will you focus on in 2014?**
Our positioning remains unchanged. We continue to be a reliable provider of sustainable, high-quality financial products for corporate customers, private customers, and financial institutions. Our corporate customer business is based on the relationship approach, as well as on Group-wide planning, with a focus on distributing capital-light products, for example in treasury and cash management. In private customer business, we are concentrating on introducing further products in the premium and private banking segment. In addition, we are working on further standardizing mass market products. As for the capital market business, our focus is on capital-light products such as equities, bonds, structured products, and hedging. We conduct such business for corporate customers and financial institutions.

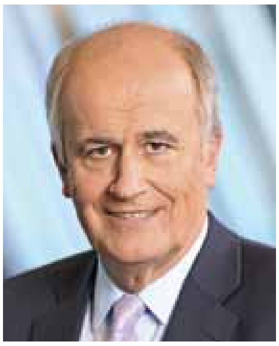
**What macroeconomic trends do you expect in 2014?**
The environment should improve considerably; possibly leading to an increase in demand for credit. According to our analysts, the eurozone will emerge from recession. This process will be driven by the German economy, and the development should also have a positive effect on CEE. In Central Europe, real GDP will probably grow at a markedly faster rate than in recent years. Southeastern Europe should continue to emerge steadily from the crisis and achieve real growth of nearly 2 per cent in 2014. In the CIS, on account of the current political situation in Ukraine, growth may be weaker than in 2013. We are in the fortunate position of operating in Central and Eastern Europe, which generally presents a higher potential for growth than Western Europe – both economically and with regard to the penetration of financial products.

**What demands will banks face in 2014?**
The pressure on the financial sector will remain. 2014 will involve further regulatory and organizational changes and will therefore be a crucial year for the European banking sector. The ECB will assume responsibility for European banking supervision – the first important pillar of the joint banking union. Until then, asset quality reviews and stress tests will be conducted for the eurozone's systemically relevant banks. In other words, the banks will be faced with some uncertainty. Besides the regulatory pressure, we still have to handle the bank levies. For us, these amounted to around 197 million euros in 2013, of which more than half related to Austria. Had there been a strong economy in the last few years, the responsible politicians might have even risked a credit squeeze with such measures. Fortunately, this did not occur, but the burdens are noticeable.



**Does optimism nevertheless prevail?**
Certainly. My optimism is based on five points, some of which I have already mentioned: firstly, our business model, the resilience of which was once again demonstrated by an increased operating result in 2013; secondly, the noticeably improving economic environment in the majority of our focus markets; thirdly, the support of our shareholders – private, institutional and of course our core shareholder RZB and the Raiffeisen Banking Group; fourthly, the high reputation that the Raiffeisen brand enjoys in all markets in which we operate; and finally, the quality and commitment of our employees. I would like to, also on behalf of my Management Board colleagues, express my sincerest gratitude to our staff of nearly 60,000. On the basis of these points, we should once again manage to be part of the group of successful banks at the end of 2014.

# Management Board of RBI



**Karl Sevelda**

Group Communications
Group Strategy
Human Resources
Internal Audit
International Banking Units
Legal & Compliance
Management Secretariat
Marketing & Event Management
Organization & Internal Control System
Participations

**Johann Strobl**

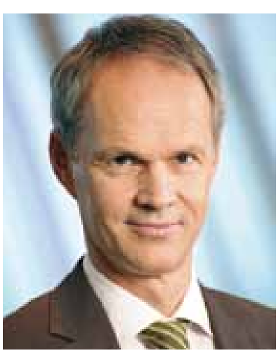
Credit Management Corporates
Financial Institutions, Country & Portfolio Risk Management
Retail Risk Management
Risk Controlling
Risk Excellence & Projects
Workout

**Aris Bogdaneris**

Consumer Banking
Group & Austrian IT
Group Project Management Office
International IT
Lean
Operations
Procurement & Cost Management
Small Business & Premium Banking

**Klemens Breuer**

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



**Martin Grüll**

Active Credit Management
Investor Relations
Planning & Finance
Tax Management
Treasury

**Peter Lennkh**

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

**Herbert Stepic**

*(until 7th of June 2013)*
Group Strategy
Human Resources
Internal Audit
Legal & Compliance
Management Secretariat
Organization & Internal Control System
PR, Marketing & Event Management

# Report of the Supervisory Board

Dear shareholders,

In 2013, the difficult economic situation in some countries of the eurozone, as well as Central and Eastern Europe, again presented a challenging business environment for banks. Moreover, the capital requirements that were increased at short notice, as well as the numerous, complex regulatory provisions and bank levies, posed and continue to pose additional strains and inhibited lending.

To better meet the challenges and further strengthen the Group for the coming years, the Supervisory Board drew up a strategy in cooperation with the Management Board. This strategy aims at concentrated growth in defined focus markets while using an efficiency program to optimize the use of funds and make RBI's organizational structure more fit for the future.

## Activity in 2013

As in fiscal year 2013, the members of the Supervisory Board, and its committees, were fully informed by the Management Board during regular meetings about all pertinent business developments, including risk management of the bank and subsidiaries, in a timely and comprehensive manner. Information was provided verbally as well as in writing.

At the regular meetings, the Management Board reported to the Supervisory Board on business developments in the various business areas and explained current risk developments. In addition to the regular meetings, the Chairman of the Supervisory Board also had numerous discussions with the Management Board. The decision-making by the Supervisory Board and the Management Board, as well as the informal dialog, are based on open discussions conducted in the spirit of mutual trust.

Overall, the Supervisory Board thus conscientiously fulfilled its supervisory duties and took all its decisions in a reasoned 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. In December, the Supervisory Board setup two further committees in the form of the Nomination Committee and the Risk Committee, which will commence their work in 2014. Further information on the type and composition of the committees, and on the content of their decisions, can be found in the Corporate governance report.

## New appointments

On 24 May 2013, Herbert Stepic announced he was making his position as Chairman and Member of the Management Board available. The Supervisory Board accepted this resignation offer at its meeting on 7 June. At the same time it appointed Karl Sevelda, the former Deputy Chairman of the Management Board with responsibility in the Management Board for Coporate Banking, as Chairman of the Management Board and appointed CRO Johann Strobl as Deputy Chairman.

The Supervisory Board expressed its gratitude and appreciation to Herbert Stepic for his work. His vision and assertiveness made RBI a leading banking group in Central and Eastern Europe, as well as in Austria.

At the Annual General Meeting held on 26 June 2013, Klaus Buchleitner, CEO of Raiffeisenlandesbank Niederösterreich-Wien AG and Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., was elected to the Supervisory Board. He succeeded Friedrich Sommer, the former corporate counsel of Raiffeisen Zentralbank Österreich AG, who resigned from his position with effect from 26 June 2013.

## 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 of RBI AG have been audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audit revealed no reason 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. Its final report gave no reason 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 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 CEE as well as Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 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 15 markets. As a universal bank, RBI ranks among the top five banks in twelve countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering, and thus profits from the extensive potential of the region. This potential is due, on the one hand, to the comparably higher economic growth in comparison to Western Europe, and on the other, to the still existing catch-up prospects for banking services. At the end of 2013, around 55,000 RBI staff served approximately 14.6 million customers in around 3,000 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 58,000 staff and has total assets of approximately € 131 billion.

### RBI's markets

| 2013 | Total assets in € million | Change[1] | Business outlets | Number of staff |
|---|---|---|---|---|
| Czech Republic | 7,987 | (10.6)% | 129 | 2,773 |
| Hungary | 6,230 | (12.9)% | 122 | 2,603 |
| Poland | 12,881 | (4.1)% | 370 | 5,985 |
| Slovakia | 10,009 | 3.5% | 165 | 3,853 |
| Slovenia | 1,341 | (16.8)% | 16 | 245 |
| Reconciliation | (26) | – | – | – |
| **CE segment** | **38,421** | **(5.8)%** | **802** | **15,459** |
| Albania | 2,084 | (9.0)% | 104 | 1,371 |
| Bosnia and Herzegovina | 2,022 | 2.0% | 98 | 1,491 |
| Bulgaria | 3,203 | (8.1)% | 168 | 2,965 |
| Croatia | 4,749 | (6.8)% | 76 | 2,036 |
| Kosovo | 699 | 11.2% | 54 | 699 |
| Romania | 6,528 | 9.1% | 530 | 5,308 |
| Serbia | 1,875 | (0.4)% | 85 | 1,602 |
| Reconciliation | 0 | – | – | – |
| **SEE segment** | **21,160** | **(0.9)%** | **1,115** | **15,472** |
| **Russia segment** | **15,555** | **(0.5)%** | **195** | **8,542** |
| Belarus | 1,446 | 6.8% | 100 | 2,216 |
| Kazakhstan | 0 | – | 1 | 11 |
| Ukraine | 4,327 | (12.1)% | 798 | 13,053 |
| Reconciliation | 36 | – | – | – |
| **CIS Other segment** | **5,809** | **(8.1)%** | **899** | **15,280** |
| **Group Corporates segment** | **20,812** | **9.6%** | **9** | |
| **Group Markets segment** | **20,271** | **0.1%** | **4** | **3,148[2]** |
| **Corporate Center segment** | **34,716** | **(26.7)%** | **1** | |
| Reconciliation | (26,104) | – | – | – |
| **Total** | **130,640** | **(4.0)%** | **3,025** | **57,901** |

[1] Change of total assets versus figures from 31 December 2012 expressed in local currencies varies due to fluctuations in euro exchange rates.
[2] 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". The RZB founded its first subsidiary bank in Central and Eastern Europe already back in 1987. Since then, further own subsidiaries have been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined 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 efficiently. 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). 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 2013. The remaining approximate 21.5 per cent of RBI's shares were in free float. Due to the capital increase at the beginning of 2014, the free float rose significantly to about 39.3 per cent after RZB waived its subscription rights, reducing its share in RBI to 60.7 per cent. In course of the preplacment, RZB participated in the capital increase in the amount of € 750 million.

With total assets of € 281.6 billion as of 31 December 2013, RBG is Austria's largest banking group. By mid-year 2013, RBG managed € 90.7 billion in domestic customer deposits (excluding building society savings), of which € 49.9 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, 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 customer 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 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 large corporate 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 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 (with a focus on Russia, Poland, the Czech Republic, Slovakia, Romania, and 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 retail customers.
- Financial services are provided cost-efficiently, notwithstanding high standards of quality.
- The balanced distribution of business activities in RBI's home market contributes to the diversification of risk in the business portfolio.
- A strong market position, especially in its focus 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.
- The business model and balance sheet structure are designed in such a way, as to ensure a rating comparable with 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 still subject to a dynamic development. This applies particularly to the markets in which RBI operates. Changes in the market environment (introduction of or increase in bank-specific taxes, competitors withdrawing, continued restrained economic dynamics, tighter supervisory regulations, etc.) call for constant adaptation of the business model and accompanying shifts in the allocation of resources to the business divisions. Group-wide cost management contributes to competitiveness. It is supported by strong coordination and collaboration among the individual corporate units. 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 business relationship, with a particular country focus placed on Russia, Poland, the Czech Republic, Slovakia, Romania, and Austria. In Asia, RBI follows a niche strategy for selected markets. Geographic expansion of this sphere of operation is generally not planned.
- As a universal bank, RBI directs its focus toward corporate customers and retail customers. 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.
- Active business portfolio management is not among RBI's strategic objectives per se but may be necessary in order to achieve them (e.g., portfolio acquisitions and sales, reduction or development of specific business divisions, etc.).

## 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 with major international customers are handled by Group Corporates. Group Markets deals with capital market customers, as well as 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 of the Central Europe segment (the Czech Republic, Hungary, Poland, Slovakia, and Slovenia) RBI is represented by a bank, leasing companies and other specialized financial institutions, respectively. Due to different economic conditions, the specific business focus in individual countries differs. In principle, RBI's aim in Central Europe 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 increased demand among affluent retail customers for higher-end financial and advisory services.

In the Czech Republic, the main focus is also 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, e.g., 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. Process improvements are also being developed to supplement the market-related measures.

In Hungary, where RBI likewise operates as a universal bank, the 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 has been further optimized. In principle, lending is governed by strict rules with regard to credit ratings. Lending (particularly in foreign currencies) is defensively oriented, while the focus for affluent private individuals is on conservative products (e.g., in deposits and mutual funds business). Due to the historically low interest rate level, an increasing number of attractive investment products are sold to customers. The streamlining of the organization is being driven forward, e.g., by expanding the central operations, back office, and call center business beyond major urban areas.

In Poland, the acquisition of Polbank has strengthened RBI's retail banking business in particular, making it a strong universal bank in terms of market share and local presence. In corporate banking, decreasing interest income in Poland – partly triggered by the historically low interest rate level – 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, factoring, treasury products and investment banking services, 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 using products that require a high level of advising, as well as on cross-selling and the marketing of bancassurance products (e.g., insurance solutions). The additional acquisition of small business and private individuals through repositioning of the product range is anticipated to further boost business performance. The merger of Polbank and Raiffeisen Bank Polska also generates synergies in sales, as well as in processing and infrastructure.

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 business. 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 also introduced in Slovakia via a franchising model with initially twelve branches. Its aim is to specifically reach families and retail customers in the middle-income business. RBI plans to open additional branches. The establishment of a center of competence for asset management in Slovakia – under the umbrella of Tatra Asset Management – ensures growth in mutual fund and pension fund business.

In Slovenia, the business model was adjusted to the difficult market environment and saturated banking landscape. The structures of the bank and 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 a leasing company in each country and in certain markets is also represented through investment 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 for affluent retail customers (e.g., investment fund solutions and customized financing arrangements). 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 further strengthen existing business relationships with selected 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 focuses on good credit ratings and collateral, as well as on cost management and – linked to this – on increasing productivity.

In Croatia, the focus is on large and medium-sized corporate customers, as well as on retail customers. The strategic center of attention in the corporate customer business is financial services in connection with EU structural and cohesion funds linked to Croatia's accession to the EU. The affluent retail customer business is focused on end-to-end product solutions (cross-selling), as well as on the sale of investment products (e.g., pension funds and mutual funds). The branch network is also 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 sole trader/small entrepreneur business are increasingly being addressed.

In Romania, the focus is likewise on large and medium-sized corporate customers, as well as on retail customers. The ongoing optimization of processes (e.g., loan processing for retail customers, other processing in the branches, and centralization in a new operations center) allows costs to be reduced while at the same time improving the quality of service. Business performance is based on organic growth and driven by smaller acquisitions in the affluent private individual, as well as leasing business. The integration of local subsidiaries for investment banking strengthens core competencies and further enhances efficiency. Capital market and treasury products are increasingly on offer through close cooperation between the corporate customer and capital market trading divisions. In the retail customer business, the market position is being further expanded through optimization of online and mobile banking, as well as enhanced advisory services.

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 business relationships with existing customers that have good credit ratings. High-end services and a broad product portfolio form the basis therefore.

## Russia

RBI's objective in Russia is to secure its role as one of the leading foreign banks. Business development is predominantly organic, in particular through utilization and optimization of RBI's presence in the various regions of the country. In the corporate customer business – where RBI holds a strong position – the bank is supporting the expansion of Russian companies into other RBI markets. RBI's strategic orientation as a service provider for customized treasury solutions (e.g., currency and interest rate hedging) and investment banking (e.g., capital market issues, mergers & acquisitions), as well as its general advisory activities with regard to financial services, helps to strengthen this position. In the private individual business, processes were and will be optimized in order to increase sales strength. Seven regional competence and management centers in addition to an operations and call center ensure customer-focused and efficient product processing. RBI's strong brand position is used to expand the affluent private individual business. This also includes expanding the network of branches in selected, attractive locations. High-end services (e.g., online and mobile banking services; offered insurance, asset management, and pension solutions, as well as intensified advising) support this.

## 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, as well as call centers). The economic environment (high inflation, potential further devaluation of the currency) continues to call for a prudent business policy and 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.) with the focus 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, consumer loans 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 are being implemented regarding the organizational structure and processes (seven regional competence and management centers), as well as in the entire IT and operations area, through relocation to a new operations and call center. In Belarus, sales channels are being further optimized via a branch network in order to enhance cost structure efficiency.

## 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. For 2014, an organizational merger of these two areas is planned. In line with the customer relationship approach, corporate customers are offered comprehensive financial services with a particular focus on advisory- and service-intensive banking services from the treasury and investment banking, and on 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 a 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 at RB International Finance in the US is on expanding existing customer relationships, focusing on trade finance.

## Group Markets

The Group Markets segment mainly covers capital market trading, as well as business with institutional customers of RBI AG, branch offices and Raiffeisen Centrobank. The customer margin with corporate and retail customers exceeding pure trading income is reported in the corresponding customer segments. Capital market trading, as well as business with institutional customers of network banks, is reported in the respective geographic segment.

In principle, RBI's trading activities are defensive in nature and mainly serve to support the business with customers. Furthermore, the division capital market trading in Vienna fulfills important service functions for the entire network of RBI (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 further strengthen the market position in the next several years.

Business with institutional customers such as banks, insurance companies, investment companies and sovereigns is principally managed out of the Group head office in Vienna. The focus of its business activity is the sale of capital and liquidity-light products. Financing instruments such as secured and unsecured bonds 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 well as 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, in addition to the Austrian transaction services business, which comprises processing and other services for financial service providers and also income from the holding and other companies that is not directly assigned to a segment.

# RBI in the capital markets

## RBI stock

### Equity markets benefit from expansive monetary policy

The start of 2013 was marred with concerns for the eurozone countries. In addition to generally weak economic performance, the European sovereign debt crisis, in particular – with issues such as Cyprus' imminent insolvency, and the debate about using citizens' assets to balance state budgets – weighed on sentiment. However, this had little impact on the euro equity markets and the majority of them remained flat with low volatility. Whereas, the US stock markets considerably rose in the first quarter.

This positive trend initially continued in the second quarter, despite a global economic slowdown. Italy's successful formation of a government, as well as the ECB's announced cut in interest rates at the beginning of May, from 0.75 per cent to 0.5 per cent, both reassured the markets. Nevertheless, the US Federal Reserve (Fed) announcement in June, that it might move away from its loose monetary policy before the end of the year, triggered considerable uncertainty among investors resulting in falling prices in numerous equity markets.

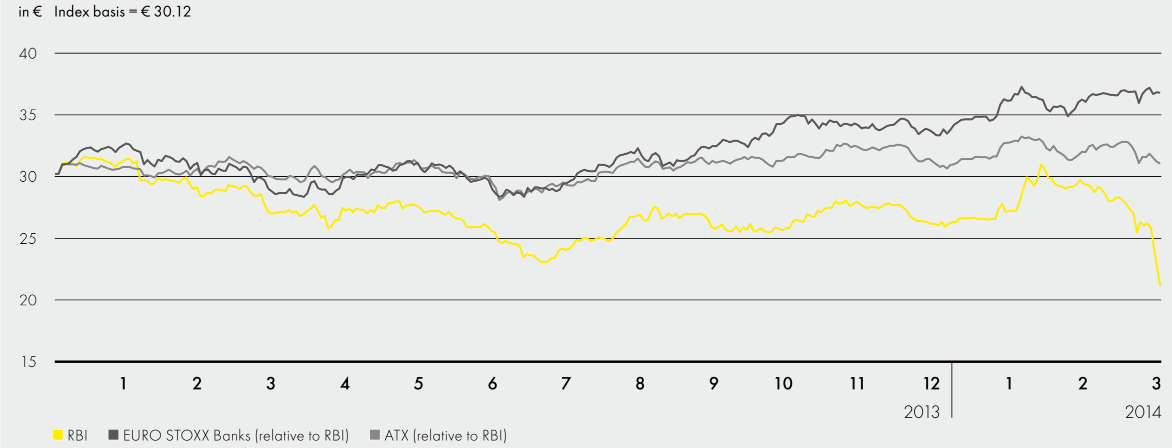
The escalating discussion about military intervention in the Syrian civil war, and its possible consequences for the entire Middle East, cast a brief shadow over the equity markets in the third quarter. Accordingly, they received a boost in September when Syria agreed to accept the United Nations resolution to destroy its chemical weapons. Also conducive was US Fed chairman Ben Bernanke's surprising statement that the central bank intends to maintain its loose monetary policy as an economic stimulus until a turnaround has been achieved in the labor market. Stock markets rose sharply on the news.

Equity prices further climbed in the US, after the budget dispute was resolved last minute in October. Positive signals also emerged from Europe: firstly, the recession in the eurozone seems to have come to an end in 2013, at least on a quarterly basis; secondly, the ECB's unexpected cut in the base rate to an all-time low of 0.25 per cent boosted markets at the beginning of November; and finally, in mid-December, the Fed announced that it would gradually reduce its bond purchasing program as early as January 2014. As such a move had been anticipated for some time, the financial markets reacted positively to the news.

### Performance of RBI stock

After starting 2013 at € 31.46, RBI's stock hit its peak in January at € 33.59, before entering a downward trend until the middle of the year. On 11 July, it closed at € 19.96, its low for 2013, but recovered to € 25.62 by the end of the year. Over the full year this amounts to a share price loss of 18.6 per cent. It therefore underperformed compared to both the ATX (up 6.1 per cent) and the EURO STOXX Banks (up 25.9 per cent).

Price performance since 1 January 2013 compared to ATX and EURO STOXX Banks




As of the editorial deadline on 11 March 2014, RBI stock was priced at € 21.61. The shares therefore recorded a loss of 12 per cent versus 31 December 2013. The positive price performance, in course of the capital increase at the beginning of 2014, however, followed a considerable decline due to developments in Ukraine.

RBI's market capitalization at the end of 2013, with the number of outstanding shares at 195.5 million, stood at € 5.0 billion. At the beginning of 2014, the number of shares rose to 293 million by way of a capital increase; at € 21.61 per share – as of the editorial deadline – this led to a market capitalization of € 6.3 billion.

In 2013, a total of 44 million RBI shares were traded, amounting to a total value of € 1.2 billion and an average daily volume of 178,569 shares.

## Shareholder structure

As of the editorial deadline on 11 March 2014, Raiffeisen Zentralbank Österreich AG (RZB) held approximately 60.7 per cent of RBI's shares, with the remaining balance in free float. RZB's share, which was roughly 78.5 per cent at year-end 2013, was reduced in the course of the capital increase at the beginning of 2014; thus supporting the free float, which increased from around 21.5 per cent to about 39.3 per cent. The broad geographical spread of investors – as of the editorial deadline – as well as their diverse investment objectives, resulted in a balanced shareholder structure. Thus, the investors included institutional investors, mainly from the USA and UK, as well as a large number of Austrian private investors. Sovereign wealth funds and supranational organizations, which promise stability by virtue of their preferred long-term investment strategies, were amongst those institutional investors.

| Stock data and details | |
|---|---|
| Price as of 31 December 2013 | € 25.62 |
| High/low in 2013 (closing prices) | € 33.59/€ 19.96 |
| Earnings per share for 2013 | € 1.83 |
| Market capitalization as of 31 December 2013 | € 5.0 billion |
| Market capitalization as of editorial deadline (11 March 2014) | € 6.3 billion |
| Average daily trading volume in 2013 (single count) | 178,569 shares |
| Stock exchange turnover in 2013 (single count) | € 1,159 million |
| Free float as of 31 December 2013 | approximately 21.5% |
| Free float as of editorial deadline (11 March 2014) | approximately 39.3% |
| 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 2013 | 195,505,124 |
| Number of shares issued as of editorial deadline (11 March 2014) | 292,979,038 |

# RBI bonds

## Favorable market environment for bonds in the second half of the year

Against the backdrop of Cyprus' imminent insolvency, yields on Italian and Spanish ten-year government bonds initially rose in 2013, causing prices to drop accordingly. At the same time, yields on German ten-year government bonds declined further from their already low level. As the European markets stabilized in summer, bond yields in the peripheral markets fell again – mainly in Italy but also in Spain – while yields of so-called "safe havens", such as Germany, saw an upswing. In the second half of the year, the prospect of continued cheap liquidity – as a result of the loose monetary policy in the US – enabled bond prices in the peripheral countries to rise in conjunction with falling yields, while remaining more or less stable in countries such as Germany, France and Austria.

## Successful bond issues

RBI's first benchmark transaction in 2013 – a CHF 250 million subordinated bond issued in May, with a ten-year maturity and an interest rate of 4 per cent – aroused a great deal of interest. RBI also took advantage of the favorable market environment in the second half of the year by issuing a ten-year subordinated benchmark bond, with a volume of € 500 million at an interest rate of 6 per cent, in October. The high demand, also confirming RBI's attractiveness as a bond issuer, resulted in the bond being three-times oversubscribed. A five-year senior bond of € 500 million at 1.875 per cent, which RBI issued in November, was also oversubscribed.

Furthermore, in July, RBI repurchased a senior bond due to mature in 2014 – which it issued in 2009 at a volume of € 1.5 billion – at a total par value of € 562 million. In line with expectations, almost 40 per cent of bondholders accepted the buy-back offer. RBI's last large bond transaction in 2013, was the offer to exchange a subordinated bond valued at € 500 million for a new bond maturing in 2024. The acceptance of the exchange offer, at just less than 50 per cent, was also high.

## 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, and other market actors, on a regular basis about trends in RBI's business developments.

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

# Annual General Meeting

RBI's Annual General Meeting, unlike investor conferences, also provides private investors the opportunity to be informed by the Management Board on business developments, and was held in Vienna on 26 June 2013.

The Annual General Meeting approved a dividend payment of € 1.17 per share for the 2012 financial year, up € 0.12 on the previous year. This represented a total dividend payout of around € 228 million, whereby no dividend was paid on own shares. As well as passing resolutions which enable the flexible reaction to future capital requirements, the Annual General Meeting elected Klaus Buchleitner, CEO of Raiffeisen-Holding and Raiffeisenlandesbank Niederösterreich-Wien, as Friedrich Sommer's successor in RBI's Supervisory Board.

## Dividend

The next ordinary Annual General Meeting will take place on 4 June 2014. On 17 February 2014, the Management Board decided to propose a total dividend payout of approximately € 300 million to the Annual General Meeting for the reporting year 2013, representing a dividend of € 1.02 per share. Subject to approval by the Annual General Meeting, this amount will be paid to the shareholders on 11 June 2014, and the stock will be traded ex-dividend from this date.

# Capital market communications

RBI offered international investors numerous opportunities to obtain first-hand information at over 50 road shows and conferences, in 2013. For this purpose, representatives of RBI, in some cases accompanied by members of the Management Board, traveled to Amsterdam, Boston, Brussels, Cologne, Copenhagen, Dusseldorf, Frankfurt, Geneva, Hamburg, Helsinki, Hong Kong, London, Luxembourg, Milan, New York, Paris, Singapore, Stockholm, The Hague, Tokyo, Utrecht, Warsaw, Zurich, as well as to the Austrian towns of Stegersbach and Zürs. At one of these events in September, in London, Karl Sevelda introduced himself as the new Chief Executive Officer for the first time at an international conference.

As in previous years, the investor day in London, which followed the publication of the 2012 results, was very well attended. In 2013, RBI began holding regular presentations for Austrian equity and debt investors at its head office, on reporting dates, which struck a chord. These were followed by the established conference calls, each involving 100 to 200 participants.

RBI also attracted a great deal of interest as an investment in 2013. This is evident from its coverage by 29 equity and 22 bond analysts, making RBI the Austrian company with by far the greatest number of regular recommendations by analyst firms. In 2013, around 450 analyst reports on RBI were published.

RBI continuously strives to keep market participants fully informed. In the interest of making its communications as easily accessible and widespread as possible, RBI makes conference call presentations, as well as other important events, available as online webcasts. These can be viewed at any time at www.rbinternational.com → Investor Relations → Reports & Presentations → Presentations & Webcasts.

| Financial calendar 2014 | |
|---|---|
| 27 March 2014 | 2013 Annual Report, Conference Call |
| 28 March 2014 | RBI Investor Presentation, London |
| 8 May 2014 | Start of Quiet Period |
| 22 May 2014 | First Quarter Report, Conference Call |
| 4 June 2014 | Annual General Meeting |
| 11 June 2014 | Ex-dividend and Dividend Payment Date |
| 7 August 2014 | Start of Quiet Period |
| 21 August 2014 | Semi-Annual Report, Conference Call |
| 6 November 2014 | Start of Quiet Period |
| 20 November 2014 | Third Quarter Report, Conference Call |

## Contact for equity and debt investors

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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 publicly available from the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and from the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance).

Transparency is central to corporate governance and thus of particular importance to RBI. This 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. In addition to that, 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 → Investor Relations → Corporate Governance → External Evaluation of the CG Codex.

## Composition of the Management Board

In the 2013 financial year, the Management Board consisted of the following members:

| Management Board member | Year of birth | Original appointment | End of term |
|---|---|---|---|
| Karl Sevelda<br>Chairman[1] | 1950 | 22 September 2010[2] | 30 June 2017[3] |
| Johann Strobl<br>Deputy Chairman[4] | 1959 | 22 September 2010[2] | 30 June 2017[3] |
| Aris Bogdaneris<br>Member | 1963 | 1 October 2004 | 31 December 2015 |
| Klemens Breuer<br>Member | 1967 | 16 April 2012 | 31 December 2015 |
| Martin Grüll<br>Member | 1959 | 3 January 2005 | 30 June 2017[3] |
| Peter Lennkh<br>Member | 1963 | 1 October 2004 | 31 December 2015 |
| Herbert Stepic<br>Chairman | 1946 | 14 June 2001 | 7 June 2013 |

[1] Karl Sevelda was Deputy Chairman until 7 June 2013 and has been Chairman of the Management Board since 7 June 2013.
[2] Effective as of 10 October 2010.
[3] The contract was extended by the Supervisory Board until 30 June 2017, as of 7 June 2013.
[4] Johann Strobl was a member until 7 June 2013, and has been Deputy Chairman of the Management Board since 7 June 2013.

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:

- Karl Sevelda — Oesterreichische Kontrollbank AG (supervisory board member since 8 October 2013)
  BENE AG (supervisory board member until 18 April 2013)
- Johann Strobl — Raiffeisen-Leasing Management GmbH (supervisory board member)
- Aris Bogdaneris — Visa Worldwide Pte. Limited (advisory council)
- Klemens Breuer — FMS Wertmanagement AöR (supervisory board member since 6 January 2014)
- Peter Lennkh — Raiffeisen-Leasing Management GmbH (supervisory board member since 3 December 2013)
- Herbert Stepic — OMV AG (supervisory board member)
  Oesterreichische Kontrollbank AG (supervisory board member until 8 October 2013)

# Composition of the Supervisory Board

During the 2013 financial year, the Supervisory Board comprised of:

| Supervisory Board member | Year of birth | Original appointment | End of term |
|---|---|---|---|
| Walter Rothensteiner<br>Chairman | 1953 | 11 May 2001 | Annual General Meeting 2016 |
| Erwin Hameseder<br>First Deputy Chairman | 1956 | 8 July 2010 [1] | Annual General Meeting 2015 |
| Heinrich Schaller<br>Second Deputy Chairman | 1959 | 20 June 2012 | Annual General Meeting 2017 |
| Markus Mair<br>Third Deputy Chairman | 1964 | 8 July 2010 [1] | Annual General Meeting 2015 |
| Klaus Buchleitner | 1964 | 26 June 2013 | 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 |
| Günther Reibersdorfer | 1954 | 20 June 2012 | Annual General Meeting 2017 |
| Johannes Schuster | 1970 | 8 July 2010 [1] | Annual General Meeting 2015 |
| Christian Teufl | 1952 | 8 July 2010 [1] | Annual General Meeting 2015 |
| Martin Prater [2] | 1953 | 10 October 2010 | Until further notice |
| Rudolf Kortenhof [2] | 1961 | 10 October 2010 | Until further notice |
| Peter Anzeletti-Reikl [2] | 1965 | 10 October 2010 | Until further notice |
| Susanne Unger [2] | 1961 | 18 January 2012 | Until further notice |
| Helge Rechberger [2] | 1967 | 10 October 2010 | Until further notice |
| Friedrich Sommer | 1948 | 8 July 2010 [1] | 26 June 2013 |

[1] Effective as of 10 October 2010.
[2] 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 transactions 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.

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 Insurance Group AG (chairman) |
| ■ Erwin Hameseder | AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Insurance Group AG, Südzucker AG, Flughafen Wien AG (chairman) |
| ■ Heinrich Schaller | voestalpine AG, AMAG Austria Metall AG |
| ■ Johannes Schuster | UNIQA Insurance Group AG |
| ■ Günther Reibersdorfer | UNIQA Insurance Group AG |
| ■ Klaus Buchleitner | BayWa 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 |
| Heinrich Schaller | 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 |

# 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 (as at 1 January 2014):

| **CEO**<br>Karl Sevelda | **CRO**<br>Johann Strobl | **Retail Banking, Operations & IT**<br>Aris Bogdaneris | **Markets**<br>Klemens Breuer | **CFO**<br>Martin Grüll | **Corporate Banking**<br>Peter Lennkh |
|---|---|---|---|---|---|
| Group Communications | Credit Management Corporates | Consumer Banking | Business Management & Development | Active Credit Management (Since 1 March 2014) | Corporate Customers |
| Group Strategy | Financial Institutions, Country & Portfolio Risk Management | Group & Austrian IT | Group Capital Markets Trading & Sales | Investor Relations | Corporate Sales Management & Development |
| Human Resources | Retail Risk Management | Group Project Management Office | Institutional Clients | Planning & Finance | Group Products |
| Internal Audit | Risk Controlling | International IT | Investment Banking Products | Tax Management | Network Corporate Customers & Support |
| International Banking Units | Risk Excellence & Projects | Lean | Raiffeisen Research | Treasury | |
| Legal & Compliance | Workout | Operations | | | |
| Management Secretariat | | Procurement & Cost Management | | | |
| Marketing & Event Management | | Small Business & Premium Banking | | | |
| Organization & Internal Control System | | | | | |
| Participations | | | | | |

After acceptance of the resignation offer of Herbert Stepic, Karl Sevelda assumed responsibility for the former's area of operation as well as for the areas of Participations and International Banking Units from Peter Lennkh, who in turn assumed responsibility for the areas of Corporate Customers, Corporate Sales Management & Development, Group Products and Network Corporate Customers & Support from Karl Sevelda.

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 were referred to it by the Supervisory Board in 2013. Thus, it was called on to approve those matters not reserved only 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 the remuneration 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 was 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 general remuneration policies, and practices, in compliance with the Austrian Banking Act (BWG), as well as relevant sections of the Austrian Corporate Governance Codex. This included 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 the granting of options on shares in the company and a program for the preferential transfer of company shares, respectively. The Remuneration Committee supervised and regularly reviewed the remuneration policies, remuneration 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 six 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 seven meetings in the 2013 financial year. The Audit Committee met twice, the Personnel Committee four times and the Remuneration Committee three times.

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 | 2013 | 2012 |
|---|---|---|
| Fixed remuneration | 5,477 | 5,752 |
| Bonuses | 2,947 | 2,153 |
| Share-based payments | 0 | 3,835 |
| Other remuneration | 1,013 | 2,048 |
| **Total** | **9,437** | **13,788** |

Fixed remuneration, as shown in the above table, includes salaries and benefits in kind. Performance-based components of the Management Board's remuneration basically consist of bonus payments and share-based remuneration under the Share Incentive Program (SIP). There was, however, no allocation of share-based payments in 2013, as no SIP tranche had been issued in 2010 due to the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB). Moreover, the maturity of the program was extended to five years in accordance with legal regulations. Therefore, the next SIP tranche will not mature before 2016.

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 annually consented personal goals. Payment of bonuses is deferred as set forth in the Austrian Banking Act (BWG) and implemented according to internal RBI regulations.

2010 bonus payments to three members of the Management Board, who had transferred from RZB to RBI, were still 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, of which the final portion of € 643,500 was disbursed in 2013.

Management Board members' contracts specify a maximum bonus. Likewise, SIP includes a cap at three times the allocation value. A maximum limit is thus in place for all variable compensation components. Other remuneration consists of compensation for board-level functions in associated companies, payments to pension funds and pension liability insurance, as well as other insurance and benefits. The item also includes one-off retention bonuses for those members of the Management Board who previously worked for Raiffeisen International. These bonuses were awarded in the context of the merger of Raiffeisen International with the principal business areas of RZB.

The figures shown for the fixed and performance-based remuneration are, when compared to 2012, distorted by one-off effects. Patrick Butler continued to receive his remuneration up until 30 June 2013, in spite of his resignation from the Management Board. Herbert Stepic resigned from his post as Chairman of the Management Board but will nevertheless continue to receive his remuneration up until 30 June 2014 for his activity as consultant, and as member of the supervisory board in a number of network banks.

The Management Board's remuneration paid in 2013 is shown in detail as follows:

| in € thousands | Fixed remuneration | Bonuses | Other | Total |
|---|---|---|---|---|
| Karl Sevelda | 957 | 637 | 86 | 1,680 |
| Johann Strobl | 857 | 635 | 71 | 1,563 |
| Aris Bogdaneris | 807 | 371 | 182 | 1,360 |
| Klemens Breuer | 757 | 143 | 151 | 1,051 |
| Martin Grüll | 757 | 362 | 177 | 1,296 |
| Peter Lennkh | 645 | 235 | 153 | 1,033 |
| Herbert Stepic[1] | 697 | 564 | 193 | 1,454 |
| **Total** | **5,477** | **2,947** | **1,013** | **9,437** |

[1] In addition to the amounts listed above, an amount of € 911 thousand in fixed remuneration, as well as € 2 thousand in other remuneration, were paid to Herbert Stepic in the period 8 June to 31 December 2013, on the basis of contractual agreements. Furthermore, as of 8 June, he received no more variable remuneration, or allotments from the SIP. Herbert Stepic returned an amount of € 2,000 thousand to the company from remuneration received for financial year 2012.
In addition to the amounts listed above, € 300 thousand in fixed remuneration, as well as € 10 thousand in other remuneration, were disbursed to Patrick Butler as a Management Board member, following his resignation in 2012, due to contractual agreements in the period between 1 January 2013 and 30 June 2013.

## 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 also apply to bonus payments for 2011 and subsequent years.

## Share incentive program

No tranche of the share incentive program matured in 2013 as no SIP tranche was issued in 2010 owing to the abovementioned merger. Moreover, the maturity of the programs was extended to five years in accordance with legal regulations, with the result that the next SIP tranche will not mature before 2016.

Under the SIP, new tranches have been issued each year – including 2011, 2012 and 2013. This means that on the reporting date, contingent shares for currently three tranches were allocated. As of 31 December 2013, the number of these contingent shares was 987,740 (of which 215,032 were attributable to the 2011 allocation, 406,040 to the 2012 allocation and 366,668 to the 2013 allocation). The number of contingently allocated shares originally announced changed due to various personnel alterations within Group units. It is aggregated in the following table:

### SIP 2011, 2012 and 2013

| Group of persons | Number of contingently allocated shares as of 31/12/2013 | Minimum allocation of shares | Maximum allocation of shares |
|---|---|---|---|
| Members of the Management Board of RBI | 331,706 | 99,512 | 497,559 |
| Members of the Management Boards of bank subsidiaries and branches affiliated to RBI | 422,217 | 126,665 | 633,325 |
| Executives of RBI and other affiliated companies | 233,817 | 70,145 | 350,726 |

No shares were repurchased for SIP in 2013.

## Expenditure for severance payments and pensions

For the 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 when 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 pension liability insurance, 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.

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 pension liability insurance. 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 activities are based on the principles stipulated by the Austrian Corporate Governance Codex, as well as on 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 Management Board member).

## Supervisory Board remuneration

Supervisory Board remuneration was apportioned to individual Supervisory Board members as follows. Provided, are provisional amounts from the statement of financial position subject to the approval by the Annual General Meeting 2014. Attendance fees were not paid.

| Supervisory Board member | in € |
|---|---:|
| Walter Rothensteiner | 70,000 |
| Erwin Hameseder | 60,000 |
| Heinrich Schaller | 60,000 |
| Markus Mair | 60,000 |
| Klaus Buchleitner | 25,000 |
| Stewart D. Gager | 50,000 |
| Kurt Geiger | 50,000 |
| Günther Reibersdorfer | 50,000 |
| Johannes Schuster | 50,000 |
| Friedrich Sommer | 25,000 |
| Christian Teufl | 50,000 |

## D&O insurance

In the 2013 financial year, a D&O (directors and officers) financial loss and liability insurance 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 2012 was held on 26 June 2013 in Vienna. The Annual General Meeting for financial year 2013 will take place on 4 June 2014. 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 fundamental principle of "one share one vote" applies. 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, with the result that the share structure complies with the principle of "one share one vote".

# 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. This begins with the recruitment process, in which suitable measures are used 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 efficacy of these activities.

The following table shows the total proportion of women in managerial positions (positions with staff responsibility) as well as classified by Management Board, tier 2 and tier 3 management levels. Changes can mostly be explained by fluctuations in total headcount (e.g. the integration of Polbank, reduction measures) as well as organizational adjustments (number of organizational units or hierarchical levels) in various Group units.

| Year | Proportion of women of the total number of employees | Proportion of women of the total number of executives | Management Board | Tier 2 management | Tier 3 management |
|---|---|---|---|---|---|
| 2013 | 67% | 56% | 16% | 41% | 50% |
| 2012 | 67% | 56% | 15% | 41% | 52% |
| 2011 | 68% | 55% | 20% | 41% | 49% |

A corresponding framework has been established, within the company, and is being regularly refined to continue promoting the advancement of women, which seeks 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 aware of the need to continuously promote the existing initiatives as well as to maintain 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.

In order to build-on management skills, RBI offers targeted training and continuing education programs, which also proved popular among female employees. Approximately 40 per cent of participants in the Group-wide top-management program "Execute" were women. In 2013 female employees accounted for 33 per cent of participants in the restructured Advanced Leadership Training program for middle management.

# Transparency

The company website, as well as websites of its network units, plays an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. For this reason, the website offers regularly updated information and services on the following topics: annual and interim reports, company presentations, telephone conference webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for debt investors, financial calendar with advanced notice of important dates, information on 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 (BWG) 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 (BWG) 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 57 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 2013 financial year. KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft 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

| | |
|---|---|
| Karl Sevelda | Johann Strobl |
| Aris Bogdaneris | Klemens Breuer |
| Martin Grüll | Peter Lennkh |

# Sustainability at RBI

For more than 125 years, Raiffeisen has combined economic success with socially responsible activities. Similarly corporate responsibility and sustainability are a natural and integral part of RBI's business activities. It therefore plays a decisive part in realizing RZB Group's sustainability vision of becoming a leader in sustainability and corporate responsibility in the medium term.

## Group-wide sustainability strategy

The strategy "We create sustainable value" published in 2013, uses nine strategic and operational key areas to define RBI's short, medium and long-term direction for sustainability. The strategy is based on three roles relating to sustainable corporate and social development which, as well as describing RBI's responsibility, also outline the company's self-established claim:

- At its core, RBI is a responsible banker that ensures the gradual development of its products and services to create a sustainable portfolio of financial products.
- RBI acts as a fair business and dialog partner in its dealings with stakeholders such as customers, shareholders, employees, and civil society. Engaging in respectful dialog with its principal stakeholders ensures that RBI can incorporate their expectations into its business practices.
- Moreover, RBI sees itself as an engaged corporate citizen that works to achieve sustainable development of society and the environment. In doing so, RBI advocates a climate and environmentally friendly society, as well as the promotion of cultural life. It also supports endeavors to foster sustainable business and an open civil society.

## Social commitment

RBI's social commitment, which is based on tolerance and humanism, is reflected in corporate volunteering programs and partnerships with non-profit organizations. For example, RBI conducted the Christmas charity "Surprise in a Box" for the sixth time in 2013. This event involves employees at Group head office contributing and packing presents for children in need at the Caritas asylum center in Vienna.

RBI also supports the H. Stepic CEE Charity, which was established in 2006 and carries out charitable projects in Central and Eastern Europe. In recent years, the employees of RBI who work at the H. Stepic CEE Charity, on a purely honorary basis, have realized 27 projects in cooperation with local non-government organizations, including, for example, fund-raising for a Romanian education project.

### Extensive involvement of stakeholders

RBI held its fourth Stakeholder Council meeting at the end of November 2013. In the previous year, external and internal stakeholders were invited to prioritize selected subjects for effective sustainability management. During the reporting period, the focus was on those topics that were identified as being in need of development, following an online stakeholder survey conducted at the start of the year. At the "responsible banker" dialog table, small groups discussed the issues of "expectations for sustainable products" and "opportunity, innovation and risk management". The "fair partner" field of action included the topics of "wishes regarding future stakeholder involvement", "developing an awareness of sustainability among employees", and "work-life balance". For the role of "engaged citizen", the themes of "bringing sustainable development to society" and "sustainability and entrepreneurship" were highlighted. The event produced many constructive ideas and suggestions which will be incorporated in the sustainability program for 2014, following detailed analysis.

# Sustainability ratings and sustainability indexes

Alongside financial indicators, investors also base their investment decisions on sustainability criteria. Guidance in this is offered by analyses and ratings from rating agencies specializing in sustainability, as well as from index providers. The following provides a short overview of the ratings and indexes of relevance for RBI:

## Improvement in oekom research AG's rating

In terms of corporate ratings, oekom research evaluates a company's social and ecological performance using over 100 selected industry-specific social and ecological criteria. Extensive measures have helped improve RBI's sustainability rating.

## Member of the VÖNIX sustainability index

RBI has been a member of the VÖNIX, the Vienna Stock Exchange's sustainability index, for several years. The free float weighted price index contains companies whose shares are traded on the Vienna Stock Exchange, and which are leaders in terms of social and ecological performance.

## Inclusion in the STOXX Global ESG Leaders indexes

In September 2013, RBI was included in the STOXX Global ESG Leaders Indexes. This index family contains a group of sustainability indexes whose members are determined from 1,800 STOXX Global companies using a transparent, structured process. Evaluation is based on three categories: environmental, social, and governance.

## Successful participation in the Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is a non-profit organization whose goal is reducing $CO_2$ emissions. It aims to encourage companies to increase transparency in terms of their reduction targets and strategies. In 2012, "Rate the Raters" recognized the CDP as the best sustainability ranking organization. Among other things, it is used and recommended by the UN Global Compact's Caring for Climate initiative, the Dow Jones Sustainability Index, and the Global Reporting Initiative, as a standard in matters of climate change.

RBI has been accountable to the CDP for three years. On November 5, 2013, it received its first award for its presentation of climate-related performance, which was above average for the financial sector. This success is based on an evaluation of measures of significance for operational ecology that, when implemented, make an important contribution to climate protection. Analysis identified electricity consumption as the area in which RBI generates the highest $CO_2$ emissions. As a result, all Vienna locations switched to purely green electricity at the start of 2013. This award was also a factor in RBI's inclusion in the Carbon Performance Leadership Index, which contains the companies with the highest ratings.

In 2013 all ecological data submitted to the CDP also underwent an external audit.

## ASRA award

On 26 November 2013, the RZB Group's 2011/2012 Sustainability Report received the Austrian Sustainability Reporting Award (ASRA) in the "large companies" category from the Austrian Chamber of Chartered Accountants (Kammer der Wirtschaftstreuhänder). In particular, it commended the exemplary stakeholder process for defining the sustainability strategy, which was consistently translated into key areas of action and embedded in the organizational structure.

The Sustainability Report can be found at www.rbinternational.com → About us → Sustainability Management → Sustainability Report/CoC.

# Group management report

# Market development

## Recovery in Europe, weak economic growth in the US

During 2013, the eurozone gradually climbed out of the recession which began in late 2011. Economic growth declined 0.4 per cent year-on-year in 2013, compared to a 0.6 per cent decrease in the previous year. In the course of this, positive quarterly growth rates were being posted as of the second quarter, accompanied by an increased upward trend in early economic indicators. Towards the end of the year, factual data confirmed the economic upturn that was gaining momentum and also spreading to Southern European countries. This was supported, on the one hand, by the extremely expansive monetary policy of the ECB, and on the other, by the significant progress made in reducing foreign trade imbalances in Southern European countries. While the economic upturn was predominantly driven by increasing foreign trade, in a number of core countries – first and foremost Germany – domestic demand also played an important role. The greatest risk factor remains to be policies and their neglected reforms, followed by problematic developments in real estate and credit markets that have yet to be fully corrected in individual countries.

As expected, US economic growth was significantly weaker this past year when compared to 2012. Real gross domestic product was up just 1.9 per cent, following 2.8 per cent in the previous year. This was primarily due, not only to noticeable tax increases at the beginning of the year, which weighed on private consumer spending, but also to further cutbacks in government spending. These factors, as well as the prolonged debate over the budget and debt ceiling – which culminated in a two-week government shutdown in October – contributed to a considerable level of uncertainty among consumers and companies. As a result, corporate investment growth dramatically slowed. However, in spite of restrained economic activity, the labor market continued to recover. In the US, 2.2 million new jobs were created in 2013, with unemployment falling from 7.9 per cent to 6.7 per cent over the course of the year.

## CEE profits from recovery in the eurozone

The marked economic slowdown, observed in Central and Eastern Europe (CEE) since 2012, continued in 2013. While the region recorded economic growth of 2.2 per cent in 2012, it will probably post just 1.2 per cent in 2013. Export growth continued to be moderate and domestic demand also remained weak. Economic growth in CEE was still driven by the eurozone as the region's main export market. In addition, generally stagnating commodity prices, and ongoing consolidation efforts of the public sector, negativly impacted economic growth in several markets.

Within the Central Europe region (CE), the economic performance of Poland and Slovakia stood out (as in the previous year), though economic growth also slowed in those countries. While Poland's economy grew 1.9 per cent in 2012, it probably settled at 1.6 per cent in 2013. During the same period, Slovakia posted a decline in growth, falling from 1.8 per cent to 0.9 per cent. After the Hungarian economy continued to contract in 2012, it returned to moderate growth in 2013 with an increase of 1.1 per cent. The Czech Republic proved to be less resilient; although economic conditions improved in the second half of 2013, the country's economy was down 0.9 per cent and once again failed to reach positive growth for the full year. In Slovenia, economic output contracted for the second consecutive year, down 2.0 per cent in 2013 – following a decline of 2.3 per cent in the previous year.

The economy in Southeastern Europe (SEE), which stagnated in the previous year, rebounded in 2013 with growth of 2.1 per cent. Croatia was the only country to remain in recession while economic output in all other countries in the region picked up. The economic trend in Romania has been particularly positive. Following 0.6 per cent growth in 2012, its economy has grown 3.5 per cent in the reporting period. The upswing is attributable, amongst other things, to successful consolidation efforts, as well as to the improved competitive position of Romania's economy. Bosnia and Herzegovina, as well as Serbia posted growth rates of around 2 per cent in 2013, while Bulgaria's economy, at less than 1 per cent, grew less.

Economic activity in the CIS weakened significantly over the course of 2013. In Russia, the growth rate decreased, down from 3.4 per cent in 2012 to around 1.3 per cent in the reporting period. This was triggered by stagnating industrial production and declining investment; whereas, consumer demand continued to support growth. The Ukrainian economy stagnated in the reporting period, for a second year in a row, due to a lack of positive stimuli from both exports and domestic demand.

For 2014, economic growth of 1.2 per cent is, once again, projected in CEE, with CE, and partly also SEE, contributing more to the development than CIS. Development in the eurozone is to remain highly relevant for the entire region in 2014.

The significant economic recovery expected in Central Europe (CE) is based on growth in Poland, Hungary, the Czech Republic, and Slovakia, putting the economy on a firm footing. Poland, in particular, is projected to achieve a higher growth rate of 3.1 per cent, with economists forecasting a return to a pattern of growth for the Czech economy. In Slovenia, however, there is also the perceived risk of the recession continuing in 2014. Southeastern Europe (SEE) is set to achieve growth of 1.7 per cent in 2014. Romania's economic growth of 2.3 per cent is more than the regional average. In Russia, GDP growth of only 1.0 per cent is anticipated for 2014, following 1.3 per cent in 2013. Expectations for investment and industrial production in Russia remain subdued. Moreover, due to the recent developments in Ukraine, the outlook for the Ukrainian, as well as Russian economy is marked by significant downside risks.

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

| Region/country | 2012 | 2013e | 2014f | 2015f |
|---|---|---|---|---|
| Czech Republic | (0.9) | (0.9) | 2.3 | 2.4 |
| Hungary | (1.7) | 1.1 | 2.0 | 2.0 |
| Poland | 1.9 | 1.6 | 3.1 | 3.3 |
| Slovakia | 1.8 | 0.9 | 2.2 | 3.0 |
| Slovenia | (2.3) | (2.0) | (0.5) | 1.5 |
| **CE** | **0.6** | **0.8** | **2.5** | **2.8** |
| Albania | 1.6 | 1.3 | 2.0 | 3.0 |
| Bosnia and Herzegovina | (1.1) | 1.9 | 1.5 | 3.5 |
| Bulgaria | 0.8 | 0.8 | 2.0 | 3.5 |
| Croatia | (2.0) | (1.0) | 0.0 | 1.0 |
| Kosovo | 2.5 | 3.0 | 3.0 | 4.0 |
| Romania | 0.6 | 3.5 | 2.3 | 2.5 |
| Serbia | (1.7) | 2.2 | 1.0 | 2.0 |
| **SEE** | **(0.1)** | **2.1** | **1.7** | **2.4** |
| Belarus | 1.7 | 0.9 | 0.5 | 1.5 |
| Russia | 3.4 | 1.3 | 1.0 | 1.5 |
| Ukraine | 0.2 | 0.0 | (5.0) | 1.5 |
| **CIS** | **3.1** | **1.2** | **0.5** | **1.5** |
| **CEE** | **2.2** | **1.2** | **1.2** | **1.9** |
| **Austria** | **0.9** | **0.4** | **1.5** | **2.3** |
| **Germany** | **0.9** | **0.5** | **1.8** | **2.5** |
| **Eurozone** | **(0.6)** | **(0.4)** | **1.5** | **2.0** |

# Moderate economic revival in Austria

In Austria, economic growth markedly slowed again during 2012, after a brief acceleration at the beginning of the year. Not until the second half of 2013, did economic recovery start gaining momentum again. As of the second quarter of 2012, key stimuli came from foreign trade, while domestic demand dampened GDP growth. However, in the course of 2013, active consumer spending and investment increased slightly, while the total contribution to GDP quarterly growth from foreign trade declined slighty. Economic momentum is expected to accelerate further in 2014. This is reflected in a real GDP growth forecast of 1.5 per cent for 2014, following an increase of 0.4 per cent in 2013 (2012: up 0.9 per cent).

# Further subdued growth in Asia

China posted robust growth of roughly 7.7 per cent throughout 2013, with public infrastructure investments contributing significantly. Foreign trade also reported higher growth rates compared to 2012, whereas the pace of private investment slowed significantly. Private consumption again supported economic growth. Since November, considerable attention has centered on China's plans to open up further to the outside world, as well as to liberalize many economic sectors. In India, economic growth for 2013 (the Indian fiscal year runs from April to March) is expected to reach 4.5 per cent – driven primarily by high government spending and a recovery in exports – with only minor stimuli coming from private consumption and investment. In 2013, Singapore once again recorded significantly higher economic growth, up 3.5 per cent. This was mainly attributable to improved global economic conditions, notably within Southeast Asia, as reflected in considerably higher exports.

# Global currencies

As in 2012, the euro to US dollar exchange rate continued to move within a narrow range of only EUR 0.10 in 2013 – between EUR/USD 1.28 and EUR/USD 1.38. The exchange rate stood at EUR/USD 1.36 at year-end, a mere EUR 0.04 above the level at year-end 2012. Exchange rates were again principally driven by the monetary policies of ECB and US central bank. Sustained speculation of a possible reduction in bond purchases by the Federal Reserve has flared up since mid-year, occasionally leading to marked exchange rate fluctuations.

The Swiss franc enjoyed a strong start to 2013, slightly above the intervention threshold of EUR/CHF 1.20 introduced by the Swiss National Bank in 2011. In the wake of increased economic optimism and a greater appetite for risk on the part of investors, the Swiss franc depreciated to above EUR/CHF 1.28 in the first quarter. In the following quarter, confidence was dampened by disappointing economic surveys in Europe, as well as problems in Cyprus and Italy. The resulting increase in risk aversion caused the Swiss franc to appreciate to EUR/CHF 1.25. As of mid-2013, the Swiss franc fluctuated within a narrow range of between EUR/CHF 1.22 and EUR/CHF 1.24. The currency movements were largely driven by interest rate spreads between the eurozone and Switzerland.

# CEE currencies

While CE and SEE currencies remained comparatively stable, CIS currencies fell more steeply against the euro in 2013. This trend was even more pronounced in other emerging markets (outside the CEE region), mainly due to concerns that massive liquidity injections by central banks would come to an end – potentially resulting in liquidity outflows from emerging markets. This primarily affected countries with previously higher liquidity inflows. However, in comparison with other emerging market currencies, the CEE region benefitted from a cutback in existing imbalances (including a sharp reduction in current account deficits).

Ongoing cuts to key interest rates had a relatively weak impact on currencies. For example, Hungary lowered its key interest rate significantly without causing marked weakening of the forint. One reason for this has been continued low risk aversion, which has kept investors invested in emerging market countries. Conversely, the Czech central bank launched an FX intervention to weaken the koruna versus the euro after the key interest rate was lowered to virtually zero (0.05 per cent).

CEE and SEE currencies are expected to develop steadily in 2014, in spite of possible weak phases due to a reduction in liquidity. As CIS currencies have already depreciated since the beginning of 2014, further downside risks are foreseen for the Russian rouble, the Ukraininan hryvnia and the Belarusian rouble. These developments might also weigh heavily on other currencies of the region, thus further influencing the outlook negatively.

# Development of the banking sector

## Continued banking sector growth in CEE

Supported by improved economic indicators and heightened economic expectations, the CEE banking sector enjoyed somewhat stronger overall activity in the past year. This trend initially manifested itself in an increase in domestic loans which tended to stabilize in the second half of 2013. A sustained, stable level of lending growth (observed in the CEE region as of the third quarter of 2013), as well as regional credit growth activity (which has continued to be supported by solid growth in the Russian banking sector), increasingly benefitted from the upward trend in the Central European banking sector. Moreover, with the exception of Southeastern Europe, non-performing loans (NPL) in the CEE region have shown visible signs of stabilization.

Monthly credit growth rates in CEE reached around 10 per cent year-on-year in the second half of 2013, significantly exceeding the weak eurozone level (down 2.7 per cent year-on-year). This trend was principally driven by positive developments in CE, and contrasted with SEE, where signs of a sustainable return to higher credit growth rates have yet to be seen. This was mainly due to the three largest SEE markets – Croatia, Romania and Serbia – whose banking sectors have either stagnated, or else lost significant growth momentum. As in the past, strong correlation has been observed between CEE credit growth and asset growth. With the exception of only a few countries (e.g., Poland, Hungary, Serbia, and Albania), assets have grown more sharply than credit volumes. However, this has been largely attributable to market-specific factors such as a marked rise in demand for corporate bonds in Poland, and the increase in (short-term) holdings of government bonds in Hungary and Serbia.

Continuing the previous year's trend, growth in deposits has outpaced credit growth in nearly all CEE markets. However, the gap between the growth of credit and deposits has narrowed slightly – notably in countries of the CE region. Due to the solid loan/deposit ratio in nearly all CEE markets, this is viewed positively, as deposits are gradually being transformed into interest-bearing loans. Only in the SEE region have deposits once again significantly outpaced loans, with no improvement in the unfavorable ratio as a result.

In terms of asset quality, the CEE banking sector witnessed further divergence in 2013. On the one hand, the level of NPLs in Russia and the CE region noticeably stabilized – albeit with the situation in Hungary negatively influencing the average. On the other, asset quality remained problematic in SEE as NPL ratios deteriorated further – mostly due to the unfavorable economic environment.

Regional trend differences in terms of asset quality are also clearly reflected in the divergent profitability ratios of the regional banking sectors. Profitability indicators in the CE banking sector have remained at encouragingly positive levels, (with the exception of Hungary where the banking sector's profitability was negative). Although profitability in the Russian banking market has decreased somewhat, it still ranked among the highest in CEE with a return on equity of 16 per cent (before tax) in 2013. In SEE, profitability was low in 2013 and attributable in part to diminishing asset quality, as well as to weak demand for credit in new business.

Overall solid growth in CEE resulted in an increase in the CEE banking sector's total assets, from roughly € 2,350 billion in 2012 to nearly € 2,500 billion in 2013. Accordingly, CEE banks accounted for approximately 9 per cent of total bank assets in the eurozone. This continues to indicate the potential to catch-up in many CEE markets.

# Performance and financials

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 provides 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.

## Performance

RBI realized profit before tax of € 835 million in 2013. The year-on-year decrease of € 203 million was primarily attributable to one-off effects in 2012, such as the sale of bonds and the hybrid tier 1 capital buyback totaling € 276 million. Operating result improved significantly by 17 per cent, or € 351 million. This pleasing result contrasted with higher net provisioning for impairment losses (up € 140 million), increased bank levies, and a negative result from derivatives and liabilities. Profit after tax for the reporting period was 20 per cent, or € 149 million, below the value for the previous year. The tax rate remained unchanged at 28 per cent. As a result of the decline in profit after tax, return on equity after tax decreased 1.3 percentage points to 5.7 per cent. After deducting profit attributable to non-controlling interests, which increased € 23 million to minus € 46 million, consolidated profit amounted to € 557 million. This resulted in earnings per share of € 1.83 (2012: € 2.72) based on an average of 194.9 million shares outstanding.

The Management Board decided on 17 February 2014 to propose to the Annual General Meeting that a dividend of € 1.02 per share be paid for the 2013 financial year. As the new shares, following the capital increase performed at the beginning of 2014, have full dividend entitlement for the financial year 2013, this will result in a total dividend payout of up to € 299 million.

Operating income increased 8 per cent, or € 432 million, to € 5,729 million year-on-year. There was a favorable development in net interest income, which recorded growth of 7 per cent, or € 257 million, to € 3,729 million despite lower volumes. This was due to the improved net interest margin, which (calculated on average interest-bearing assets) increased 46 basis points to 3.11 per cent thanks to repricing measures and the optimization of liquidity. In addition, net fee and commission income recorded an increase of 7 per cent to € 1,626 million owing to repricing measures and higher volumes. Net trading income in the reporting period increased € 106 million to € 321 million due to growth in currency-based transactions.

General administrative expenses grew 3 per cent, or € 81 million, year-on year to € 3,340 million. This increase was primarily due to the consolidation and integration of Polbank, in May 2012, and to salary increases in Russia, as well as the impairment of a software project in the Czech Republic. A number of countries reported positive effects from ongoing cost reduction programs. The number of business outlets fell by 81 to 3,025 year-on-year, predominantly due to the optimization of the branch network following the merger with Polbank. The cost/income ratio improved 3.2 percentage points to 58.3 per cent due to higher operating income.

Compared to the previous year, net provisioning for impairment losses rose 14 per cent, or € 140 million, to € 1,149 million. Thereby, individual loan loss provisions increased € 33 million to € 1,215 million, while in the case of portfolio-based loan loss provisions there were net releases amounting to € 52 million.

Net income from derivatives and liabilities amounted to minus € 257 million compared to minus € 127 in the previous year. This decline was due in part to valuation losses from other derivatives and in part to profit resulting from the partial repurchase of hybrid bonds (€ 113 million) in the previous year. Net income from financial investments declined € 261 million to € 58 million year-on-year. This was mainly attributable to the prior-year net proceeds from the sale of bonds at Group head office, in the amount of € 245 million.

# Statement of financial position

Total assets declined 4 per cent, or € 5.5 billion, to € 130.6 billion year-on-year. A large part of this decrease (around € 3.4 billion) was attributable to currency effects, which largely consisted of the weakening of the US dollar, Russian rouble, Czech koruna, and the Ukrainian hryvnia against the euro.

On the asset side, loans and advances to customers (before deduction of loan loss provisions) fell 3 per cent, or € 2.7 billion, to € 80.6 billion. Besides the mentioned currency effects, the principal reason for the decrease was weak credit demand from corporate customers. Short-term receivables from repurchase agreements and securities lending also fell € 1.4 billion. In addition, trading assets declined € 2.2 billion. On the liabilities side, the fall was essentially due to debt securities issued – a reduction of € 1.8 billion to € 11.5 billion on the basis of net repayments – and a decrease, mainly in Group head office, of € 3.6 billion in trading liabilities.

The portfolio of non-performing loans to customers increased € 0.5 billion to € 8.7 billion over the year. Currency effects caused a decline of € 0.2 billion. As a result, currency-adjusted growth, almost exclusively attributable to corporate customers, amounted to € 0.7 billion. Group Corporates segment reported the largest increases (up € 0.5 billion), together with Slovenia (up € 0.1 billion) and Romania (up € 0.1 billion), while the portfolio of non-performing loans fell € 0.1 billion in Ukraine. The NPL ratio – i.e., the ratio of non-performing loans to total customer loans – was 10.7 per cent in the reporting year after 9.8 per cent in the previous year. Non-performing loans were covered by provisions totaling € 5.6 billion. This resulted in an NPL coverage ratio of 63.1 per cent, which was 3.9 percentage points below the previous year's figure. This was attributable to the higher level of collateralization and resulting lower provisions for new non-performing loans.

Equity including non-controlling interests recorded a decline of € 509 million to € 10,364 million. Total comprehensive income amounted to € 137 million. Profit after tax of € 603 million contrasted with currency devaluations amounting to € 460 million. Furthermore, equity decreased as a result of dividend distributions totaling € 485 million for the 2012 financial year. Of this amount, € 228 million was attributable to shareholders of RBI, € 200 million to participation capital, as well as € 56 million to non-controlling interests. The acquisition of 25 per cent of the non-controlling interests in Raiffeisenbank Austria d.d., Zagreb reduced equity by € 161 million.

# Regulatory own funds

Tier 1 capital in accordance with Basel II recorded a decline of € 311 million to € 8,968 million, which primarily resulted from currency devaluations amounting to € 460 million. Regulatory own funds amounted to € 12,686 million at 31 December 2013.

The own funds requirement fell € 234 million to € 6,392 million. The decline was caused primarily by own funds requirements for credit risk (down € 224 million) and for operational risk (down € 38 million). Besides the currency devaluations, this was also due to the slight reduction in the corporate customer portfolio.

The core tier 1 ratio (without taking hybrid capital into account) remained stable year-on-year at 10.7 per cent. The tier 1 ratio relating to total risk remained unchanged at 11.2 per cent. The own funds ratio increased 0.3 percentage points to 15.9 per cent.

Please consult the "Events after the reporting date" chapter, for information on the capital increase carried out at the beginning of 2014.

# Detailed review of income statement items

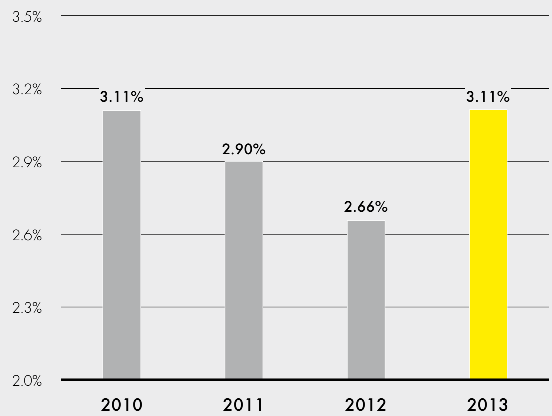
| in € million | 2013 | 2012 | Change absolute | Change in % |
|---|---|---|---|---|
| Net interest income | 3,729 | 3,472 | 257 | 7.4% |
| Net fee and commission income | 1,626 | 1,516 | 110 | 7.2% |
| Net trading income | 321 | 215 | 106 | 49.6% |
| Other net operating income[1] | 53 | 94 | (41) | (43.8)% |
| **Operating income** | **5,729** | **5,297** | **432** | **8.2%** |
| Staff expenses[2] | (1,632) | (1,601) | (31) | 1.9% |
| Other administrative expenses | (1,277) | (1,257) | (20) | 1.6% |
| Depreciation | (431) | (401) | (30) | 7.5% |
| **General administrative expenses[2]** | **(3,340)** | **(3,258)** | **(81)** | **2.5%** |
| **Operating result** | **2,389** | **2,039** | **351** | **17.2%** |
| Net provisioning for impairment losses | (1,149) | (1,009) | (140) | 13.9% |
| Other results[3] | (405) | 8 | (413) | – |
| **Profit before tax** | **835** | **1,037** | **(203)** | **(19.5)%** |
| Income taxes[2] | (232) | (285) | 54 | (18.8)% |
| **Profit after tax** | **603** | **752** | **(149)** | **(19.8)%** |
| Profit attributable to non-controlling interests | (46) | (22) | (23) | 104.5% |
| **Consolidated profit** | **557** | **730** | **(172)** | **(23.6)%** |

1 Excl. impairment of goodwill and bank levies.
2 Adaptation of previous year's values due to retrospective application of IAS 19R.
3 Incl. impairment of goodwill and bank levies.

## Net interest income

Despite a decline in interest-bearing assets, net interest income increased 7 per cent, or € 257 million, to € 3,729 million in 2013. This was attributable to the 46 basis point increase in the net interest margin to 3.11 per cent compared to the previous year. The main reasons for this were the positive effects of repricing measures in loans and deposits, as well as optimization of the liquidity situation (i.e., the reduction or restructuring of liquidity), which primarily took place at Group head office. The decline in interest income, due to lower lending volumes, was thus fully compensated through lower interest expenses for customer deposits. Interest income from derivatives grew 11 per cent, or € 41 million, to € 403 million (primarily at Group head office). Net interest income in Belarus and Slovakia developed positively, due especially to favorable trend in the credit business. Net interest income also increased in Poland, although comparison with the previous year is limited in this case, due to the different allocation of individual interest-bearing transactions resulting from the integration of Polbank. In the Czech Republic, however, net interest income declined due to lower volumes and margins resulting from the strongly competitive environment with private individuals and corporate customers. In Hungary, a reduction in lending volumes and market interest rates as well as lower interest income from derivatives and securities led to a decline in net interest income. The reduction in net interest income in Romania was primarily attributable to a fall in market interest rates and a decline in interest income from securities. In Russia,

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



lower interest income from derivatives, due to the reclassification of the interest portion of new business to the trading book, led to a fall in net interest income.

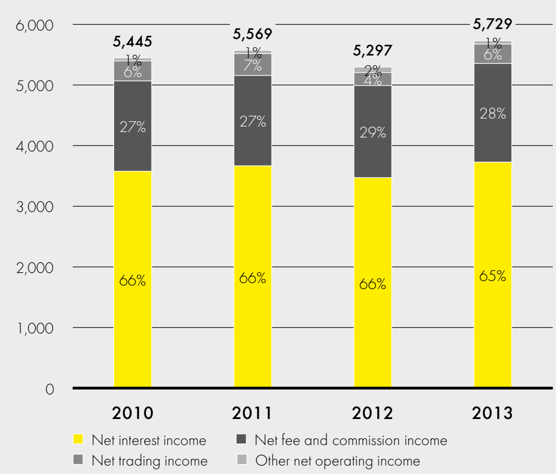
## Net fee and commission income

Net fee and commission income increased € 110 million year-on-year and therefore contributed 28 per cent of operating income. In particular, net income from the payment transfer business, as well as from the securities business, increased. The € 68 million increase arising from the payment transfer business, is mainly attributable to: higher fees in Hungary following the introduction of the financial transaction tax, a volume-driven increase in income from the credit card business in Russia, and the Polbank consolidation. Income from the securities business's volume-based growth of 25 per cent, or € 30 million, was primarily due to positive performance at Group head office and in Hungary.

The foreign currency, notes/coins and precious metals business revealed volume- and margin-related growth of 2 per cent, or € 6 million, primarily in Romania, the Czech Republic and Poland. Higher fund volumes – mainly in Slovakia and Croatia – also contributed to an 18 per cent or € 4 million increase in net income from the management of investment and pension funds. Net income from the loan and guarantee business – mainly due to the development in Russia and Group head office – increased 1 per cent, or € 3 million, while net income from the sale of own and third party products fell € 3 million, predominantly due to business performance in Russia, and net income from the credit derivatives business remained virtually unchanged. Net income from other banking services revealed the highest increases in the Czech Republic, as a result of structured financing, as well as in Hungary.

Development of operating income

in € million




## Net trading income

In 2013, net trading income grew 50 per cent, or € 106 million, to € 321 million. Thereby significant net income growth was achieved in currency-based transactions (up € 53 million), other business (up € 26 million), as well as equity and index-based transactions (up € 21 million). Net income from interest-based transactions also rose € 1 million. Although the credit derivatives business improved by € 6 million, it remained negative.

While interest-based transactions predominantly increased in Hungary, Poland and the Czech Republic, due to valuation gains on derivatives, net income from interest swaps declined at Group head office due to a decrease in volumes.

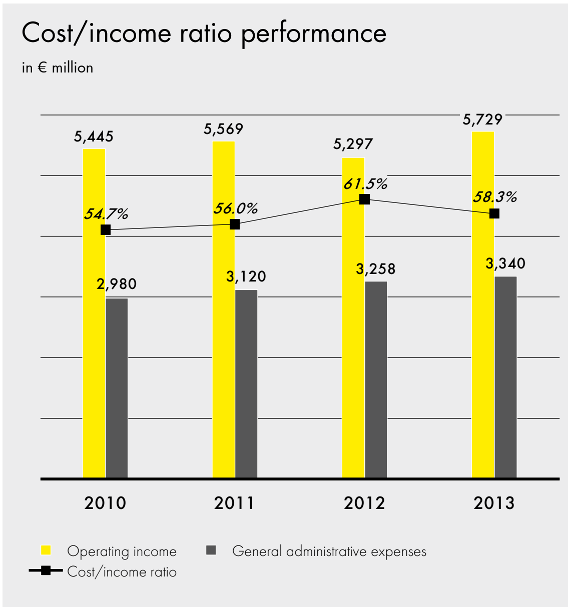
Net income from currency-based transactions grew 25 per cent, or € 53 million, to € 262 million. With € 90 million and € 51 million respectively, both Russia and Hungary posted positive net interest income from derivative transactions for hedging purposes, while Poland revealed a decline – albeit measured against extraordinarily high earnings in 2012. This income item was extensively influenced by the application of IAS 29 in connection with hyperinflation accounting in Belarus, straining net trading income by a virtually unchanged € 22 million year-on-year.

The significant increase in net income from other business stemmed largely from capital guarantees issued by Group head office. It improved from minus € 25 million to plus € 1 million due to the lower level of long-term interest rates. Net income from equity and index-based transactions improved considerably, by € 21 million to € 29 million, as a result of portfolio restructuring from fixed-interest securities to variable-yield securities due to changed market conditions.

## Other net operating income

In the reporting year, other net operating income fell € 41 million to € 53 million. This was due mainly to the new financial transaction tax introduced in Hungary, which made an impact of € 35 million. Net income from the allocation and release of other provisions declined due to releases of provisions for litigation in the previous year. A € 6 million default event also arose at F.J. Elsner Trading GmbH commodity trading. The release of an € 11 million provision for VAT liabilities in Poland, and a rise in income from operating leasing, also helped to increase net income.

# General administrative expenses




RBI's general administrative expenses rose 3 per cent, or € 81 million, to € 3,340 million in the reporting period, due mainly to increases in Russia, the Czech Republic and Poland (resulting from the consolidation and integration of Polbank in May 2012). However, the cost/income ratio improved 3.2 percentage points to 58.3 per cent due to increased operating income.

### Staff expenses

Staff expenses, the largest component in general administrative expenses at 49 per cent, rose 2 per cent, or € 31 million, to € 1,632 million in 2013. This increase mainly resulted from the consolidation of Polbank and from salary increases in Russia. It was partially offset by lower costs and staff reductions – with the largest cutbacks in the Czech Republic and Ukraine.

The average number of staff (full-time equivalents) fell by 1,857 year-on-year to 59,067. The biggest declines occurred in Ukraine (down 1,210), Romania (down 411), Hungary (down 173), and Bulgaria (down 128).

### Other administrative expenses

Other administrative expenses also rose 2 per cent, or € 20 million, to € 1,277 million. While reductions occurred in some countries, the consolidation of Polbank and increased IT expenses – especially in Poland and Russia – as well as the intensification of advertising campaigns in Russia and other administrative expense increases in Romania, led to a rise in this item.

The number of business outlets decreased by 81 to 3,025 compared to year-end 2012. The largest declines were posted in Poland (down 46), Ukraine (down 27) and Bulgaria (down 15).

### Depreciation expenses

Depreciation of tangible and intangible assets rose € 30 million to € 431 million year-on-year (2012: € 401 million). The largest increase occurred in depreciation of intangible assets, which rose € 40 million to € 219 million. This was attributable to impairment of a core banking system in the Czech Republic.

During the reporting period, Group investment in fixed assets totaled € 451 million, 47 per cent (€ 209 million) of which was in own fixed assets. Investments in intangible assets, mainly related to software projects, amounted to 43 per cent. Investment in assets of the operating leasing business, accounted for the rest.

# Net provisioning for impairment losses

Net provisioning for impairment losses rose 14 per cent, or € 140 million, to € 1,149 million year-on-year. Individual loan loss provisions increased € 33 million to € 1,215 million, while net releases of portfolio-based loan loss provisions fell € 112 million. In 2013, net releases of portfolio-based loan loss provisions amounted to € 52 million, after € 164 million in the previous year. Net provisioning for impairment losses includes income from the sale of impaired loans amounting to € 14 million (2012: € 9 million).

Impairment needs in the Group Corporates segment, where various loans to major customers became non-performing, were € 145 million higher year-on-year. In Russia, net provisioning for impairment losses of € 48 million was made for both large corporate customers and retail customers, whereas net releases of € 16 million were booked the previous year. Similarly, in Slovenia, net provisioning for impairment losses increased € 31 million year-on-year, particularly due to non-performing loans and the revaluation of collateral. A positive trend was revealed in Hungary and Poland, where net provisioning for impairment losses was significantly lower year-on-year. Net provisioning for impairment losses declined € 89 million in Hungary, and decreased by € 41 million in Poland.

The provisioning ratio – i.e., net provisioning for impairment losses versus average loans and advances to customers – increased 0.18 percentage points to 1.39 per cent.

## Other results

### Net income from derivatives and liabilities

Net income from derivatives and liabilities fell to minus € 257 million versus minus € 127 million the previous year. This was due in part to valuation losses on other derivatives and in part to prior year profits from the partial repurchase of hybrid bonds (€ 113 million). This was countered by improved net income from liabilities designated at fair value. The increased interest rates led to a positive valuation result for own issues. At minus € 126 million, the negative effect of the credit spread valuation was less than the previous year (minus € 145 million). This was attributable to continuing calming of the financial markets, leading to a reduction in RBI's premiums for credit default swaps.

### Net income from financial investments

Net income from financial investments fell € 261 million to € 58 million year-on-year. This decline was due above all to the prior year € 163 million result from the sale of high-quality bonds from the available-for-sale securities portfolio at Group head office. Net income from securities at fair value through profit and loss fell € 129 million to € 26 million. The valuation of securities from the fair value portfolio led to gains of € 7 million, whereas gains of € 73 million were incurred the previous year. Significant valuation losses on bonds arose at Group head office, while valuation gains on government and municipal bonds were posted in Ukraine and Hungary. Net income from the sale of securities from the fair value portfolio amounted to € 19 million after € 82 million the previous year, and was earned primarily at Group head office. € 12 million of the net proceeds for the reporting year were generated in Romania through the sale of government bonds.

Net income from equity participations amounted to € 29 million, an improvement of € 30 million year-on-year. Gains of € 51 million – primarily from the sale of VISA and MasterCard shares in Russia and Ukraine – were countered by unchanged valuation losses (write-downs on investments) of € 22 million.

Net income from securities held-to-maturity amounted to € 3 million (2012: € 1 million) and was attributable primarily to gains from the sale of government bonds in Slovakia and at Group head office.

### Net income from disposal of Group assets

In the reporting year, the disposal of seven subsidiaries resulted in a loss of € 6 million, while positive net income of € 12 million was generated due to the exclusion of ten subsidiaries from the prior year scope of consolidation. Three companies were excluded due to immateriality, one company was sold and two companies were excluded as a result of end of operations and liquidation respectively. The companies were primarily active in leasing, investment and securities services.

## Income taxes

Income taxes fell € 54 million to € 232 million year-on-year. This decline was due to income of € 45 million arising from a tax allocation with RZB AG and a one-off effect – release of a deferred tax liability of € 12 million – in Romania. The effective tax rate remained unchanged at 28 per cent.

# Comparison of results with the previous quarter

| in € million | Q4/2013 | Q3/2013 | Change absolute | Change in % |
|---|---|---|---|---|
| Net interest income | 953 | 940 | 12 | 1.3% |
| Net fee and commission income | 424 | 417 | 6 | 1.5% |
| Net trading income | 81 | 100 | (19) | (19.1)% |
| Other net operating income[1] | 5 | (3) | 8 | – |
| **Operating income** | **1,462** | **1,454** | **8** | **0.5%** |
| Staff expenses | (405) | (411) | 6 | (1.5)% |
| Other administrative expenses | (357) | (304) | (53) | 17.4% |
| Depreciation | (147) | (97) | (50) | 51.7% |
| **General administrative expenses** | **(910)** | **(813)** | **(97)** | **11.9%** |
| **Operating result** | **552** | **641** | **(89)** | **(13.9)%** |
| Net provisioning for impairment losses | (350) | (330) | (19) | 5.8% |
| Other results[2] | (64) | (82) | 18 | (21.8)% |
| **Profit before tax** | **138** | **229** | **(91)** | **(39.6)%** |
| Income taxes | 4 | (80) | 84 | – |
| **Profit after tax** | **142** | **149** | **(7)** | **(4.7)%** |
| Profit attributable to non-controlling interests | 4 | (15) | 19 | – |
| **Consolidated profit** | **146** | **134** | **12** | **8.8%** |

1 Excl. impairment on goodwill and bank levies.
2 Incl. impairment on goodwill and bank levies.

## Net interest income

Compared to the third quarter of 2013, net interest income rose 1.3 per cent, or € 12 million, to € 953 million in the fourth quarter of 2013. Similarly, the net interest margin improved 6 basis points quarter-on-quarter to 3.21 per cent. This was in particular due to improved assets margins in both corporate and retail customer business.

## Net fee and commission income

Net fee and commission income rose € 6 million to € 424 million compared to the third quarter of 2013. The most significant increase, at € 7 million, was reported in net income from loan and guarantee business – due to higher volumes in Romania and Russia – followed by a rise in net income of € 4 million from securities business. Net income from other banking services and income from payment transfer business both improved by € 2 million. In contrast, net income from the management of investment and pension funds declined € 5 million, while net income from the sale of own and third party products decreased € 2 million, and net income from foreign currency, notes/coins and precious metals business was down € 1 million.

## Net trading income

Net trading income fell € 19 million to € 81 million quarter-on-quarter, mainly attributable to a decrease in currency-based transactions in Russia. Belarus also contributed to the decline in net trading income as a result of the application of IAS 29 (hyperinflation accounting). The opposite trend was reported in interest-based transactions, which increased primarily in Hungary, as a result of gains on derivative financial instruments. Net income from other transactions declined € 6 million due to the valuation of capital guarantees issued.

## Other net operating income

Other net operating income totaled € 5 million in the fourth quarter compared to minus € 3 million in the third quarter. Expenses for the newly introduced financial transaction tax in Hungary were down in the fourth quarter due to lower volumes.

## General administrative expenses

General administrative expenses amounted to € 910 million in the fourth quarter, up € 97 million from the previous quarter's level. While staff expenses decreased € 6 million to € 405 million, other administrative expenses were up € 53 million to € 357 million, as a result of the seasonally adjusted increase in advertising, PR and promotional, as well as IT, expenses. Depreciation of fixed assets amounted to € 147 million in the fourth quarter, € 50 million above the previous quarter. This was due to impairment on a software project in the Czech Republic.

## Net provisioning for impairment losses

Net provisioning for impairment losses rose € 19 million to € 350 million compared to the third quarter, which had already shown a considerably higher level than in previous quarters, at € 330 million. Significant increases were booked in Hungary, the Czech Republic, Bulgaria, and Slovenia. Owing to individual cases among large corporate customers, net provisioning for impairment losses in the Group Corporates segment came to € 50 million, which was, however, significantly below the previous quarter's level of € 105 million.

The portfolio of non-performing loans to customers was up € 180 million to € 8,657 million in the fourth quarter, with currency effects in the amount of € 56 million leading to a decline. On a currency-adjusted basis, the increase came to € 236 million, and was largely attributable to the Group Corporates segment.

## Other results

### Net income from derivatives and liabilities

Net income from derivative financial instruments improved € 42 million to minus € 14 million in the fourth quarter. Net income from own issues measured at fair value posted a gain, with increases in interest rates leading to a positive valuation result. In addition, the valuation on the credit spread for own issues improved € 13 million in the fourth quarter. Valuation gains on other derivatives also increased.

### Net income from financial investments

Net income from financial investments totaled minus € 15 million in the fourth quarter of 2013 (third quarter of 2013: plus € 9 million). This was attributable, on the one hand, to higher valuation losses on the fair-value portfolio of securities and, on the other, to lower net proceeds from sales of equity participations and securities from the fair-value portfolio.

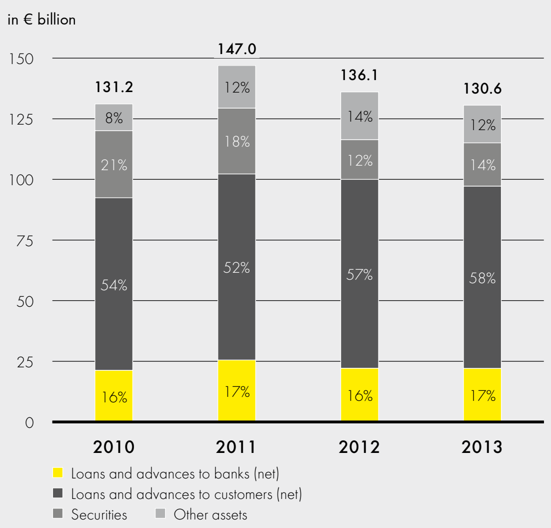
## Income taxes

In the fourth quarter of 2013, a tax income of € 4 million arose versus tax expenses of € 80 million in the previous quarter. This change was mainly due to income booked from the RZB AG tax allocation in the amount of € 45 million, in the fourth quarter, as well as lower quarterly results from various Group units with higher tax rates (especially in the Czech Republic and Russia).

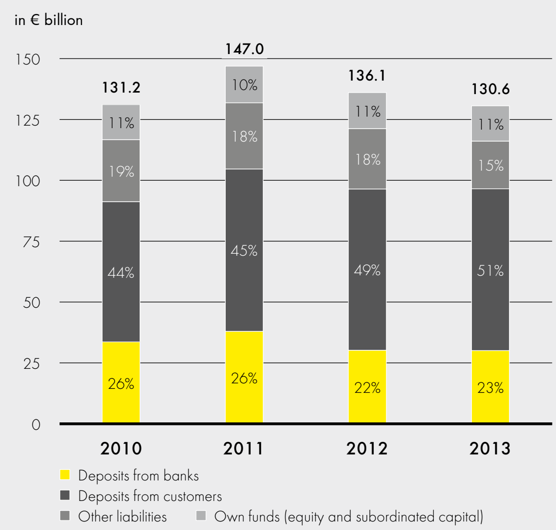
# Statement of financial position

RBI's total assets declined 4 per cent, or € 5.5 billion, to € 130.6 billion during 2013. Currency effects accounted for around € 3.4 billion of this decline, predominantly due to the US dollar (down 3 per cent), as well as some CEE currencies (Russian rouble: down 12 per cent; Czech koruna: down 9 per cent; and the Ukrainian hryvnia: down 5 per cent). Optimization of liquidity was continued in the reporting year.

Breakdown of total assets




Breakdown of equity and liabilities




## Assets

Loans and advances to customers (before provisioning) fell 3 per cent, or € 2.7 billion, to € 80.6 billion in 2013. Receivables from repurchase and securities lending transactions declined € 1.4 billion. Credit business with corporate customers decreased € 3.2 billion to € 52.2 billion, especially due to the development in Austria, Russia and Hungary. In contrast, credit business with the public sector was up € 0.3 billion, especially in Hungary. Credit business with retail customers also reported slight increases, while there was a significant increase in retail business in Russia (up € 0.8 billion), whereas credit volumes fell € 0.5 billion in Poland.

Interbank business remained stable in 2013 at € 22.1 billion. At the same time, money market business – primarily at Group head office – declined € 1.1 billion, as a result of the continued optimization of liquidity. Long-term receivables increased € 0.5 billion, primarily at Group head office, and receivables from repurchase and securities lending transactions also rose € 0.5 billion.

Loan loss provisions remained unchanged at € 5.6 billion in 2013, of which € 5.5 billion pertained to loans and advances to customers and € 0.1 billion to loans and advances to banks.

The item securities rose € 1.5 billion, predominantly as a result of bond purchases for liquidity purposes at Group head office. The € 4.2 billion decline in other assets was primarily attributable to the € 4.0 billion reduction in derivatives. This was due to close-out netting with contract partners.

## Equity and liabilities

Deposits from customers remained stable year-on-year at € 66.4 billion. Whereas deposits from corporate customers – notably at Group head office – grew € 2.3 billion (repo business: up € 0.6 billion), deposits from retail customers fell € 1.7 billion and those from the public sector fell € 0.3 billion. The largest declines in deposits from retail customers occurred in Poland, Hungary and the Czech Republic.

Although RBI's refinancing volume via banks (chiefly commercial banks) remained stable at € 30.1 billion, refinancing revealed a shift from long-term to short-term deposits.

Other liabilities – excluding subordinated capital – declined € 5.2 billion to € 19.6 billion. This decrease included a € 1.8 billion net reduction in debt securities issued to € 11.5 billion. This was attributable to the reduced refinancing requirement, which also resulted in early redemptions. For example, a government-guaranteed bond with a date of maturity in 2014 was offered for early redemption within the framework of a tender, with € 0.6 billion repaid early. Trading derivatives decreased € 3.4 billion, mainly at Group head office, as a result of close-out netting with contract partners.

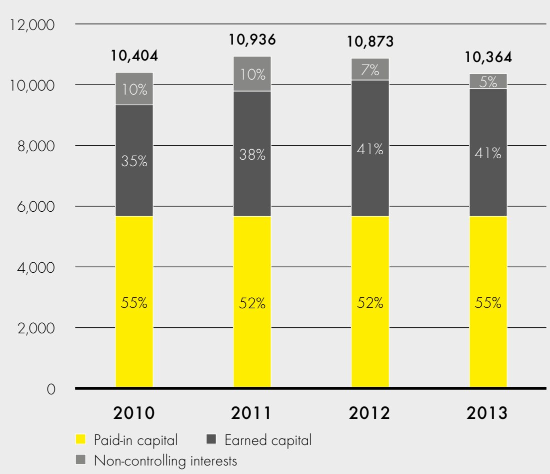
# Equity

## Equity on the statement of financial position

RBI's equity decreased € 509 million to € 10,364 million compared to year-end 2012.

Breakdown of equity

in € million




Consolidated equity, consisting of subscribed capital, participation capital, capital reserves, and retained earnings decreased € 102 million to € 9,322 million. The retention of earnings from financial year 2012 was € 302 million. Other comprehensive income made a further contribution of minus € 450 million: Exchange-rate differences had a negative effect of € 440 million, additionally, net income from the valuation of assets available-for-sale amounted to minus € 35 million – mainly due to the sale and the subsequent reclassification of the results in the income statement. The related deferred taxes amounted to € 7 million. The impact from applying hyperinflation accounting generated a positive effect of € 27 million.

In June 2013, RBI AG's Annual General Meeting approved the payment of a dividend of € 1.17 per share for the financial year 2012, which equated to a distribution totaling € 228 million. In addition, a dividend of € 200 million was paid on the participation capital.

Consolidated profit contributed € 557 million to equity in 2013.

Capital of non-controlling interests decreased € 234 million to € 485 million, in 2013. This was principally attributable to the purchase of 25 per cent of the non-controlling interests in Raiffeisenbank Austria d.d., Zagreb. Furthermore, dividends of € 56 million were paid to minority shareholders in the reporting year.

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

RBI does not form an independent credit institution group (Kreditinstitutsgruppe), as defined by the BWG, and therefore is not subject to the regulatory provisions for banking groups, on a consolidated basis, as it is part of the RZB credit institution group. The following consolidated figures 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 almost all non-retail business at RBI AG, as well as its subsidiaries in Croatia, the Czech Republic, Hungary, Malta, Romania, Russia, Slovakia, and the USA. A large portion of the risk from loans and advances to retail customers in the Czech Republic, Hungary, Romania and Slovakia is 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 € 12,686 million as of 31 December 2013, which represents a decline of € 200 million for the reporting year.

Tier 1 capital fell 3.4 per cent, or € 311 million, to € 8,968 million, particularly due to the negative development of the Russian rouble, the Ukrainian hryvna, the Czech koruna and the Polish zloty. Another negative effect resulted from the purchase of 25 per cent of the non-controlling interests in Raiffeisenbank Austria d.d., Zagreb in July 2013. The profit for the financial year is included in the calculation. However, the projected dividends to be paid out for the financial year 2013 have been deducted.

Additional own funds were up € 47 million year-on-year at € 3,387 million. This item consists essentially of long-term subordinated capital, of which the largest part pertained to RBI AG at € 2,977 million, and the provision excess of IRB positions of € 221 million.

Short-term subordinated capital increased € 55 million to € 357 million. The deduction items relating to participations, securitizations and insurance came to € 26 million (2012: € 36 million).

Own funds stood vis-a-vis a lower own funds requirement of € 6,392 million, which decreased € 234 million. The own funds requirement for the credit risk accounted for € 5,227 million (a decrease of 4 per cent or € 224 million year-on-year), of which € 2,278 million related to the standardized approach, and € 2,949 million to the IRB approach. The own funds requirement for the position risk in bonds, equities and commodities increased € 24 million to € 297 million. The own funds requirement for open currency positions, in contrast, remained virtually unchanged. The requirement for operational risk was € 808 million, a decline of 4 per cent, or € 38 million, year-on-year.

This led to a 4.0 percentage points higher excess cover ratio of 98.5 per cent, or € 6,294 million.

The tier 1 ratio – based on the credit risk – was 13.7 per cent. Based on total risk, the core tier 1 ratio was 10.7 per cent and the tier 1 ratio 11.2 per cent. The own funds ratio totaled 15.9 per cent.

Please consult the “Events after the reporting date” chapter, for information on the capital increase carried out at the beginning of 2014.

# 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. RBI also develops individual solutions to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RBI is actively working on the further development of integrated product solutions for international financial transactions within cash management.

# 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, which includes directives and instructions on key strategic topics. It includes:

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publication, implementation, and monitoring of directives and instructions.
- Regulations for the revision and repeal of 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 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 external auditor, are mostly entered directly in, or automatically transferred to, the IBM 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 IBM Cognos Controller consolidation system, including capital consolidation, expense and income consolidation, as well as 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, as well as 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 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 forecast Group figures at regular intervals. The financial and capital 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 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 AG and RBI AG 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 amounted to € 596,290,628.20 and was divided into 195,505,124 voting common bearer shares as of reporting date 31 December 2013. Of those, 557,295 were own shares, which means that 194,947,829 shares were outstanding as of reporting date 31 December 2013. Please consult the notes on equity (34) for more information.

Regarding the capital increase, which was carried out at the beginning of 2014, please see the chapter "Events after the balance sheet date".

(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 reporting date 31 December 2013 RZB AG held around 78.5 per cent of the capital stock in the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH and other subsidiaries; the remaining shares of RBI AG were in free float. The Management Board knows of no direct or indirect participations in the capital amounting to 10 per cent or more.

The controlling parent company is Raiffeisen-Landesbanken-Holding GmbH, holding around 82.4 per cent (2012: approximately 78.5 per cent) of the shares of RZB AG, directly and indirectly. The direct share amounts to around 3.9 per cent (2012: 0.0 per cent) and the indirect share is approximately 78.5 per cent (2012: around 78.5 per cent) held by the wholly owned subsidiary R-Landesbanken-Beteiligung GmbH.

(4) Pursuant to the company's articles of association, RZB AG 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 already holds 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 would count 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 26 June 2013, to increase the capital stock with the approval of the Supervisory Board – in one or more tranches – by up to € 298,145,314.10 through issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) by 26 July 2018 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Pursuant to Section 159 (2) 1 of AktG, the capital stock has been increased contingently by up to € 119,258,123.20 through the issue of up to 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares. Pursuant to Section 174 (2) of AktG, the Annual General Meeting of 26 June 2013 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2,000,000,000 which grant conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro rata amount of the capital stock of up to € 119,258,123.20, 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's resolution of 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 company's 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 Raiffeisen International with RZB AG's principal business areas to form RBI AG, 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 AG. 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 Raiffeisen International with RZB AG's principal business areas, as of 10 October 2010, the RZB AG issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of € 2.5 billion was transferred to RBI AG on unchanged terms.

Pursuant to Section 102a of the Austrian Banking Act (BWG), the company's Annual General Meeting of 8 June 2011 authorized the Management Board of the company, 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 exist, 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:

- The company's D&O insurance provides that, if RBI AG 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 AG 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 agreement concluded by RBI AG in relation to a subsidiary bank with the relevant shareholder 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.

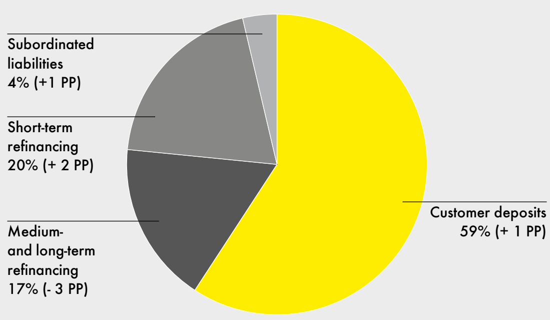
- The company's refinancing agreements and financing guarantees granted to subsidiaries provide for the right of early termination upon a change of control with negative material ramifications.

(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, as well as various capital and interbank market tools. In the first half of 2013, banks profited from the moderate economic recovery in some markets and the refinancing situation improved. As a result of turbulence on emerging markets, such as Russia and Turkey, as well as the announcement of a more stringent US monetary policy, capital markets became more volatile by the second half of the year.

Funding structure




## Stable basis for refinancing

RBI’s refinancing is based on two key elements: firstly, on customer deposits, which at the end of 2013 accounted for € 66.4 billion, or 59 per cent, of refinancing; and secondly, on wholesale funding which totaled € 45.8 billion, or the remaining 41 per cent. The high share of customer deposits creates a stable refinancing basis, making RBI less vulnerable to turbulence on the financial markets.

## Diversified funding sources

RBI focused on diversifying funding sources for the Group units again in 2013. More than 40 per cent of the wholesale funding of subsidiaries in Central and Eastern Europe came from external sources.

Long-term funding, from sources that are less susceptible to changes on the international capital markets, plays a key role for RBI. For this, RBI actively collaborates with supranational institutions that have been important and reliable partners for the Group for some time. This funding, amongst other purposes, is used to support SME and energy efficiency projects in Central and Eastern Europe. Group head office and the Group units in Central and Eastern Europe, however, do not only cooperate with these institutions for financing, but also for other areas such as risk-sharing programs that optimize risk-weighted assets.

Additional sources of funding for RBI include bond issuances by single Group units, such as an unsecured bond denominated in Romanian leu, issued by the Romanian Raiffeisen Bank in July 2013. Furthermore, Austria's Raiffeisen Banking Group is an important funding partner for RBI.

## Issues

In 2013, RBI AG's resources for medium to long-term refinancing included, amongst other things, 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." For reasons of efficiency, these were merged halfway through the year to form one issuance program – the "EUR 25,000,000,000 Debt Issuance Programme". Under this program, bonds can be issued in different currencies and different structures. The total volume of outstanding bonds under this program may not exceed € 25 billion. At the end of 2013, a total of € 13 billion had been drawn on.

RBI promptly implemented its funding plan again in 2013, primarily with low-volume private placements. In order to take advantage of the friendly market environment before the summer break, RBI AG issued a tier 2 bond in Swiss francs for CHF 250 million in the second quarter, with a ten-year maturity and a coupon of 4 per cent.

Due to its good liquidity situation, RBI AG issued a buy-back offer for an outstanding, government guaranteed bond, in July. It thus reduced its future interest costs through buy-backs amounting to € 500 million.

In mid-October, RBI issued a subordinated bond for € 500 million with a ten-year maturity and a coupon of 6 per cent to strengthen its capital basis. This was followed shortly afterwards by a senior benchmark bond, again for € 500 million but with a five-year maturity.

In December, shortly after this senior benchmark bond, RBI issued an offer to exchange existing subordinated capital with new subordinated capital (tier 2) with a volume of € 233 million. This offer was accepted by almost half of the investors, thus sustainably strengthening RBI's capital structure in the long term.

## Further refinancing measures

For short-term funding, RBI used both the interbank market and its program for short-term issues (commercial papers), "Euro-Commercial Paper and Certificate of Deposit Programme", in 2013. Under this program, RBI issued commercial papers in various currencies, thereby enabling it to refinance itself outside of the interbank market.

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

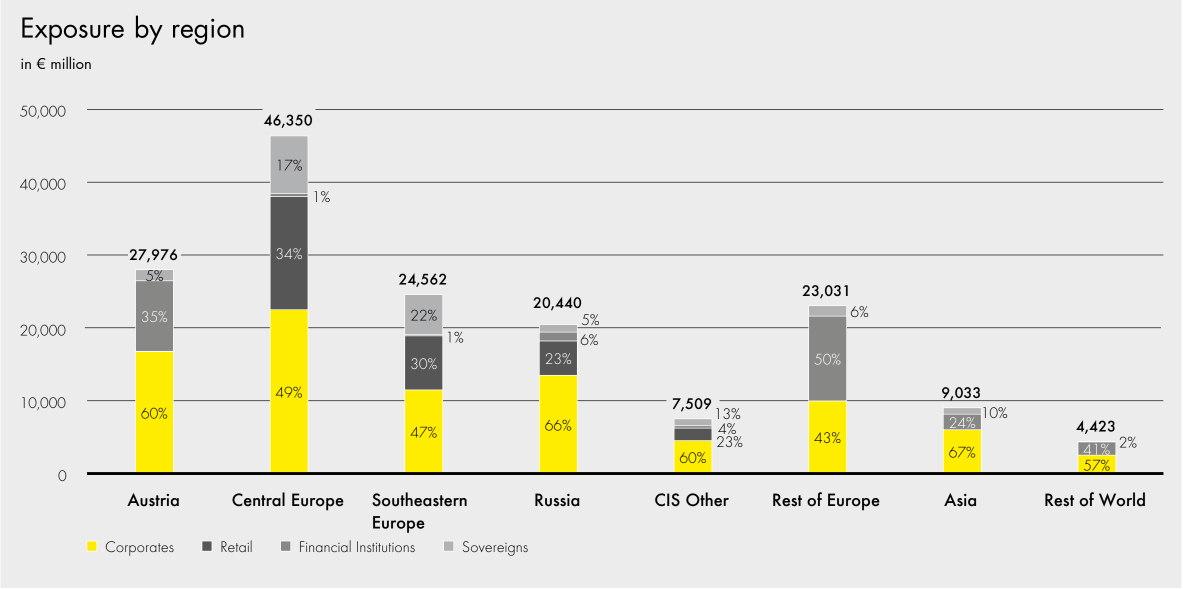
# Risk management

The taking of risks and their transformation are an integral component of the banking business. This makes active risk management as much of a core competence of overall bank management as capital planning and management of the bank's profitability. In order to effectively recognize, classify and contain risks, RBI utilizes comprehensive risk management and controlling.

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

## Loan portfolio strategy

The following graph, lists RBI's outstanding exposure by business area and region at the end of the reporting period. The portfolio remained very stable throughout 2013 and thus reflected the Group's business model. On the reporting date, the total credit exposure used to manage the portfolio was € 163,323 million. This amount includes exposures on and off the statement of financial position, prior to the application of credit conversion factors and thus represents the total credit exposure.




Corporate customers are a central element of the portfolio in all regions. At the end of 2013, outstanding exposure to corporate customers for the Group totaled € 78,518 million, down € 2,378 million year-on-year. This decrease is attributable to a credit portfolio reduction at some network banks, compensated in part by an increase in loans in the Austrian portfolio. As new loans are granted primarily to customers with very good ratings, due to stricter lending policies, credit quality in the new business is significantly higher than that of the existing portfolio.

Retail business is undertaken exclusively in Central and Eastern European markets and grew € 268 million to € 29,402 million year-on-year. This increase is primarily attributable to higher lending volumes in Russia, where a rise of € 990 million was achieved despite currency devaluations. In Central Europe, however, retail exposure declined, mainly as a result of lower volumes in Poland (subdued credit demand), and in Hungary (selective lending).

The financial institutions sector consists mainly of loans and advances to, as well as securities from Western European banks to, the Austrian Raiffeisen Banking Group (as part of liquidity management within the sector). At the end of the reporting period, this portfolio totaled € 27,370 million, down € 5,355 million year-on-year. This decline was predominantly driven by liquidity optimization and led to less outstanding exposure with rating grade A3 (down € 6,606 million) as a result of fewer repo, swap and money market transactions.

In line with RBI's strategic orientation, credit exposure to sovereigns is kept at a low level. It serves primarily to meet the minimum reserve and liquidity management requirements. The credit portfolio in this segment remained largely stable throughout 2013 and totaled € 19,284 million at year-end, up € 363 million year-on-year.

At RBI, dedicated credit portfolio committees determine the credit portfolio strategy for the various customer business areas. Analyses by internal research departments, and portfolio management, form the basis of the definition of the loan portfolios' lending guidelines and limits. Credit portfolio strategies are regularly adapted to match changing market outlooks.

Although reassurances by the ECB have served to calm the European government bond market, loans and advances to governments, municipalities and banks have remained one of the main focal points of portfolio management in previous quarters. Outstanding exposure was continuously reassessed and – when necessary – limits were reduced. Besides regulatory requirements in the home market, government securities mainly serve to strengthen the liquidity buffer.

In the retail business, particular focus was placed on the cautious expansion of the consumer loans and credit cards portfolio, on the basis of selective and differentiated lending criteria, as well as the use and wide-ranging coverage of application and behavioral scorecard models. By doing so, the retail business made use of proven Group practices and successfully continued the implementation of the refined lending policies. In the underwriting process, value was placed on further simplification and automation of decision rules.

# Management of non-performing loans

The management of non-performing loans continued to be one of the priorities of risk management in 2013. Above all, the targets and measures were aimed at improving the early recognition of potential problem cases, reporting on restructuring measures, as well as rapid and effective reduction of the non-performing loan portfolio. Continual measures to improve employee training in this area, as well as the ongoing exchange of experience among individual members of the credit institution group, were further key points. This prevented a more extensive increase in non-performing loans.

Continuing macroeconomic difficulties in RBI's home markets in 2013 were reflected in the rise in non-performing loans to € 8,657 million (up 6 per cent, or € 474 million, in comparison with year-end 2012). The non-bank loan portfolio, particularly in the Group Corporates segment and Slovenia, suffered from the default of some large corporate customers, which also led to an increase in planned risk costs during the second half of the year. In contrast, the non-performing loan portfolio in the retail business registered a slight fall of 4 per cent, or € 131 million, to € 2,922 million.

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 provisions.

# Liquidity risk

RBI's liquidity position is subject to regular monitoring and is included in the RZB Group's weekly report to the Austrian banking supervisory authority. It continued to remain stable and revealed a comfortable liquidity buffer during the 2013 financial year.

To manage its liquidity risk, RBI uses a long-established and proven limit model which requires high excess liquidity for short-term maturities and is based on contractual and historically observed capital inflows and outflows. Limits have also been established for medium and long-term maturities, to lessen the negative impact of a possible refinancing cost increase on the operating result. In addition to the limit models, regular liquidity stress tests are also undertaken to evaluate and limit the effects of potential reputation and market crisis scenarios.

Liquidity management incorporates findings from past years into the cash flow modeling 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.

The underlying cash flow models are periodically adjusted to the observed portfolio dynamics trend. In 2013, particular attention was paid to modeling non-performing loans and finalizing the calculation of liquidity ratios according to Basel III.

# Interest rate risk

RBI's net interest income significantly contributes to earnings. To do this significance justice, risk management of interest rate flows is treated as its own entity by a separate unit which is independent from liquidity risk. In particular, the impact of different interest rate scenarios on net interest income is simulated. In close cooperation with the front office, preparations for various developments in the markets are undertaken, so that RBI can react quickly in the case of negative trends. In 2013, the emphasis in this area was on further developing the available analytical and reporting tools as well as on harmonizing these systems within the Group.

# Market risk

Since January 2010, RBI's 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. The model was expanded to include a stressed VaR module and refined measurement of option risks.

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, the consideration of the current volatility levels in generating scenarios, and the application of different time periods in the volatility estimate. This model forms the basis for implementing the strict Basel III requirements into internal models.

The daily scope of management includes the trading and banking books based on VaR with a holding period of 1 day and a confidence interval of 99 per cent, as well as sensitivity limits. The market risk position, limit process and 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's expectations. Based on these good results, the internal model is to be allocated to the best class ("green light") from a regulatory perspective.

# Operational risk

Internal risk factors, e.g., unauthorized actions, theft and fraud, clearing and process errors, operational disturbances and system failures, as well as external risk factors, such as damage to physical assets and fraudulent acts, are both controlled and managed within the area of operational risk. These risks are analyzed, managed and controlled on the basis of the Group's own historic loss data collection, as well as the results of risk assessments.

Early warning indicators for operational risks are intended to ensure that possible losses can be recognized and prevented early on. Standardized scenario analyses are used to ascertain the effects of possible events, which have a low probability of occurrence but lead to extensive damage.

Operational risk controlling implements both a central and a decentralized management system. The basic principles and minimum standards are defined by the central operational risk controlling, while the local units are responsible for detailed implementation.

# Changes in the regulatory environment

RBI concerned itself intensively with the current and the upcoming regulatory developments in 2013. One of the most important subjects was the preparation for the amended legal regulations, which came into effect with the EU directives on Basel III (CRD IV/CRR) at the beginning of 2014, and corresponding analysis of their impact.

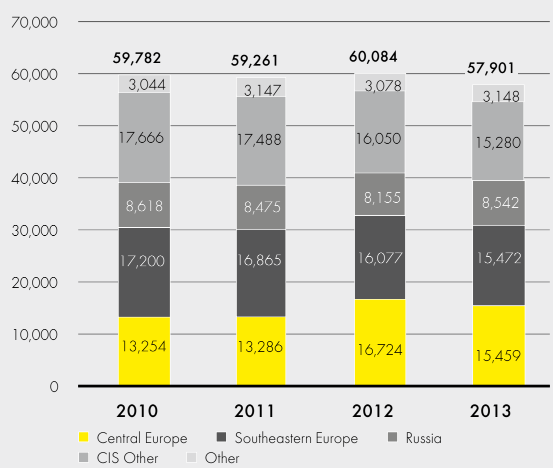
The focus, during the second half of 2013, was on preparing for the changes pertaining to the single supervisory mechanism, especially the related statement of financial position reviews ("comprehensive assessment") by the ECB, which will also lead to an asset quality review and a pan-European stress test during the first half of 2014. As part of the RZB Group, the regulatory reviews will also focus on RBI during these processes. An internal project was implemented to ensure optimum preparation for the reviews to be conducted by the ECB and to guarantee good data quality.

In addition to preparations surrounding the new Basel III regulations, risk management continued to focus on ongoing implementation of the advanced Basel II approach in 2013. The Basel II related activities included the implementation of the internal ratings-based (IRB) approach in the retail and non-retail segments of the Central and Eastern European subsidiaries, further development of the internal market risk model as well as Group-wide further development of the standard approach for operational risk.

# Human resources

At RBI, human resources (HR) is responsible for ensuring that personnel resources are deployed throughout the Group in a sustainable manner, thereby harmonizing corporate interests and the needs of employees. As of 31 December 2013, RBI had 57,901 employees (full-time equivalents), 2,183 people, or 4 per cent, fewer than at the end of 2012. The largest absolute reduction (measured on the country's total number of employees) occurred in Ukraine. The average age of employees remained relatively low at 36 years, making RBI a young and dynamic bank. Moreover, graduates accounted for 72 per cent of employees, indicating a highly skilled workforce. 67 per cent of employees were women.

Development of personnel
Number of staff at year-end




## Talent management and management development

During the reporting year 2013, HR also worked intensively on the further development and implementation of talent management across all Group units. Key areas included the further qualification of managers on this issue, ensuring high standards in the identification of talent (especially through calibration meetings), and an improvement in the quality of individual development plans. Alongside existing cross-functional development programs for executives, a Group-wide program was launched within IT aimed at the customized strengthening of executives' specialist and management expertise.

## Professional development

Despite intensive efforts to reduce costs, the professional training of employees was still considered of great importance in 2013. Training centered on the key strategic fields of risk management, project management and compliance. Attention was also focused on the Group-wide project "Lean", a standardized method for the analysis and optimization of processes and procedures which anticipates significant improvements in efficiency. Group-wide training initiatives were launched in the fields of Controlling/Accounting and Procurement/Cost Management.

Compared to 2012, knowledge transfer sharply shifted from on-site training towards e-learning. The transfer of know-how was achieved through cross-functional and, in particular, international rotation/exchange programs, e.g., in the retail area, investment banking, collections and IT. In addition, the "International Young Potentials" program, to encourage high-potential employees from network banks by providing them with targeted trainee assignments in other network units, was launched for the third time in 2013.

## Local initiatives in the network banks

The network banks also focused on cost reductions in 2013. Consequently, many network banks adopted measures to reduce personnel costs, for example by optimizing structures for a resulting reduction in management levels. A large number of network banks also started optimization processes in accordance with the "Lean" method.

Some network banks placed special attention on improving the (internal and external) quality of customer service. Corresponding surveys were conducted to identify critical areas and thus facilitate improvement measures. Numerous measures were also implemented in the area of management and employee development, such as the "Meet your customer" program, organized by Raiffeisen Bank Kosovo, in which managers based at head office swapped roles with branch managers for a certain period.

The integration process for Raiffeisen Polbank, which followed the merger between Raiffeisen Bank Polska and Polbank, included the launch of an "Employee Value Proposition" project designed to position the newly created bank as an attractive employer.

# Developments in compensation

As banks are typical services companies, personnel costs represent a major portion of administrative expenses – at RBI it was unchanged at 49 per cent in 2013 – and cost reduction programs also impact salaries and fringe benefits. Personnel costs for the reporting period rose 2 per cent year-on-year. As part of the performance management process, salary increases or bonuses were only granted to strong performers on the basis of differentiated performance evaluations.

As before, a significant portion of the HR capacity in 2013 was channeled towards implementing special regulations for compensation systems in the banking sector. In the reporting period, all companies associated with RBI were assessed using risk criteria in order to determine to what extent remuneration rules apply, and to identify the positions subject to the restrictive remuneration provisions of the Austrian Banking Act (BWG).

# Focus on health

Since the health of employees plays a major role for RBI, the following section outlines a selection of health-related measures, which reflect the different needs in the various countries. In Austria, for example, RBI supports various sporting activities. An annual "health week" is also organized in which employees can undergo a full preventive health check-up as well as have their fitness status professionally assessed in the "UNIQA VitalTruck". Sports-related offers and specialist talks complete the health week. Cooperation is also maintained with an external consulting company which assists employees and their families with both professional issues (dealing with stress, mediation, etc.) as well as personal matters (family consulting, bereavement support, etc.). RBI also cooperates with an institute specialized in burnout and stress management, where employees can (if required) undergo five therapy units for which the majority of the costs are borne by the company.

Around 1,500 employees within Raiffeisen Bank Aval are insured under the "Health Insurance Program", the costs of which are assumed by the Bank. In the event of illness, employees who do not participate in the program are entitled to a subsidy for medical treatment for themselves, or for family members. In Russia, all Raiffeisenbank employees have access to free health insurance that includes extensive medical services at the best hospitals. In 2013, the initiative "Health and Productivity at Work" was launched within the Croatian Raiffeisenbank Austria, aimed at reducing work overload while at the same time increasing productivity. For a number of years, Priorbank in Belarus has organized a weekend for its employees each summer with various sports and leisure activities in which teams from the Russian and Ukrainian network banks also participate. A similar initiative, albeit focusing on a work-life balance, was launched by Raiffeisen Bank in Romania during the reporting period.

# Outlook

## Economic prospects

### Central Europe

Positive growth trends, from the second half of 2013, should continue to strengthen in the Central Europe region in 2014. The economic turnaround seems to have taken hold, and improved growth in the eurozone should positively support export momentum. Domestic demand is also expected to pick up, which would further underpin the sustainability of the economic recovery. Following GDP growth of 0.8 per cent in 2013, the forecast for 2014 is currently at 2.5 per cent. Poland is likely to remain the top performing country, with GDP growth of 3.1 per cent, while the Czech Republic, whose GDP shrank 0.9 per cent in 2013, could well achieve 2.3 per cent growth in 2014, marking the strongest improvement. Slovenia is the only economy that is still expected to slightly contract. In terms of monetary policy, the reins will likely continue to be kept loose, with restrictive action not expected until the second half of 2014, at the earliest. The consolidation of government budgets is well advanced in Central Europe. The Czech Republic, Hungary and Slovakia, should be able to keep their budget deficits below the Maastricht-defined ceiling of 3 per cent of GDP. Poland may slightly exceed this level and Slovenia even significantly so. Overall, Central Europe is poised to develop from the weakest to the most dynamic CEE region in 2014.

### Southeastern Europe

The Southeastern Europe region passed through the economic low sooner than Central Europe. The significant upswing, already experienced in 2013, reduced the potential for further economic recovery in the region in 2014. Moreover, owing to its weaker export positioning, Southeastern Europe stands to benefit less from the recovery in the eurozone. Aggregate economic growth in the region is projected at 1.7 per cent for 2014, slightly below the previous year, albeit with strong diversity among individual countries. Thus, Romania should continue its growth trajectory with an increase of 2.3 per cent, as strong export growth is expected to spread to domestic demand, as in Central Europe. In contrast, Croatia continues to grapple with a five-year-long recession and will at best transition to a period of stagnation in 2014. In Serbia, much-needed reforms and austerity measures may even ultimately lead to a weakening of the economy. In addition, Croatia and Serbia have the largest budget deficits in Southeastern Europe, whereas the Romanian budget deficit is unlikely to exceed 2.5 per cent of GDP.

### CIS

Following growth rates in the vicinity of 4 per cent during the period of 2010 to 2012, the CIS region posted an increase of just 1.2 per cent in 2013, with only limited upside potential expected for 2014 as well. On the one hand, further growth is impaired by slower investment and export momentum. On the other hand, developments in Ukraine pose a significant downside risk to the Ukrainian as well as the Russian economy. High political and economic uncertainty will force Ukraine, supervised by the IMF, to carry out severe structural reforms in 2014, in order to adjust current economic imbalances. Russian economic growth is expected to remain weak at 1 per cent, while the economic performance in Ukraine is expected to decrease 3 to 7 per cent. The Russian state budget should continue to only show a slight deficit. However, this masks the structural weakness that its non-oil deficit would be very high, at roughly 8 to 10 per cent of GDP. Belarus will continue to depend on financial support.

### Eurozone

The eurozone should see a continuing acceleration of economic growth in the course of 2014. The robust economic momentum of important trading partners (USA, UK), and the improved competitiveness of many crisis-affected countries, bodes well for a sustained recovery of the export sector. At the same time, the dampening effect from the consolidation of state finances should diminish further. In Germany, in particular in the domestic economy, potential growth is seen thanks to favorable financing conditions, as well as to pent-up consumer and investment demand. In the Netherlands, Ireland and Finland, consumption and investment growth in 2014 should likewise contribute to new growth, following hefty setbacks. In contrast, France is becoming more of a problem child, with growth forecasts below the eurozone average as a result of weak domestic and export demand. Southern Europe also continues to be exposed to heightened economic and political risks. In addition, the private sector in Italy, Spain, Portugal, and Greece, is held back by continued restrictive lending. Hence, economic recovery in these countries should be driven, in particular, by a rebound in foreign trade. However, differing trends can also be observed in Southern Europe. For example, Spain and Portugal are experiencing a much more dynamic recovery compared to Italy. Greece will not move out of recession until sometime later in 2014. Regarding inflation, low wage increases and weak consumer demand in the eurozone suggests that pressure on prices will continue to be subdued.

OVERVIEW OF RBI
GROUP MANAGEMENT REPORT
SEGMENT REPORTS
CONSOLIDATED FINANCIAL STATEMENTS
SERVICE

## Austria

Over the course of 2013, consumption and investments showed initial signs of a halting recovery. This should increasingly continue in 2014. Private consumption should again profit from increasing employment momentum in the course of 2014. Investments should gain tailwind from the growing exports. In addition, the favorable financing environment is conducive to investment activities. However, as rising exports are also up against increasing imports, foreign trade contribution to GDP quarterly growth is expected to remain on the same level overall. On the other hand, contributions to growth from domestic demand are anticipated to rise significantly, thus becoming the driving force behind the continued economic recovery. Overall, due to increasing economic momentum, real GDP growth of 1.5 per cent is anticipated for 2014 after just 0.4 per cent in 2013. The highpoint of economic development should fall within the winter period of 2014/2015.

## Outlook for RBI

We aim to slightly increase loans and advances to customers in 2014.

We expect the net provisioning requirement in 2014 to remain at around the same level as in the prior year, however, results may be impacted by the ECB Asset Quality Review process. The developments in Ukraine and their potential effects on the region are hereby also not taken into consideration.

In the course of our cost reduction program, we plan to reduce general administrative expenses to the level of 2012 by 2016. We aim to achieve a cost/income ratio of between 50 to 55 per cent by 2016. We plan to maintain 2014 costs at around the same level as 2013.

We aim for a return on equity before tax of approximately 15 per cent in the medium term.

# Organizational changes

On 24 May 2013, RBI's longstanding CEO, Herbert Stepic, announced he was offering to resign from his position due to personal reasons. He left RBI's Management Board on 7 June 2013. On the same date, the former Deputy CEO, Karl Sevelda, who until then held Management Board responsibility for global corporate customer business, was appointed as RBI's new CEO. Chief Risk Officer, Johann Strobl, was appointed as RBI's new Deputy CEO.

Following acceptance of Herbert Stepic's offer of resignation, Karl Sevelda took over his area of responsibility. Karl Sevelda also assumed responsibility for Participations and International Banking Units from Management Board member Peter Lennkh, who is now in charge of corporate customer business.

# Events after the reporting date

## Capital increase

On 21 January 2014, RBI announced that it intended to strengthen its capital base by issuing new shares. The first stage of this capital increase was an offering of new shares to selected qualified institutional investors by way of an accelerated bookbuilding (pre-placement), in which all of 97,473,914 new shares were placed on 22 January. RZB participated in the capital increase, through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, with a commitment of € 750 million as part of the pre-placement. 21.3 per cent of the shares from the pre-placement were subject to clawback with deferred settlement. This should be applied to the extent that shareholders exercise their subscription rights in the second stage of the capital increase, a rights offering during the period from 24 January to 7 February 2014.

Whereas RZB, through its subsidiary Raiffeisen International Beteiligungs GmbH, waived all of its subscription rights, the remaining shareholders exercised 35.7 per cent of their subscription rights. Consequently, 90,074,789 new shares were allocated to the qualified institutional investors from the pre-placement. This corresponds to 92.4 per cent of the total 97,473,914 shares issued by way of the capital increase, with existing shareholders receiving the remaining 7,399,125 new shares.

At a subscription and offer price of € 28.50 per new share, gross proceeds from the deal amounted to roughly € 2.78 billion. As a result of the capital increase, RBI's free float increased significantly to roughly 39.3 per cent as of the reporting date on 11 February 2014. RZB remains the indirect majority shareholder with some 60.7 per cent of the shares. RBI intends to use the proceeds from the capital increase to redeem participation capital in the amount of € 2.5 billion.

A key reason for the capital increase was to strengthen RBI's equity base to comply with the new Basel III rules (CRR), under which participation capital counts towards common equity tier 1 (CET1) during the transition period only. The capital increase has improved the fully phased-in CET1 ratio by 3.2 percentage points, to 10.1 per cent.

## Political and economic turbulence in Ukraine

During the first few weeks of 2014, the political and economic situation in Ukraine deteriorated considerably. In combination with the tensions in the region, this turbulence led to an increase in Ukraine's budgetary deficit, a reduction in the Ukrainian national bank's currency reserves and a rating downgrade for Ukrainian government bonds. Up to the time of completion of RBI's annual financial statements on March 11, 2014, the Ukrainian hryvnia devalued 11 per cent against the US dollar. The national bank subsequently implemented tighter currency controls and changed its exchange rate policy. The impacts on Raiffeisen Bank Aval's financial and asset position could not yet be assessed at the editorial deadline of this report. However, devaluation of the hryvnia resulted in negative exchange differences in RBI's equity.

The tensions in the region also had an impact on Russia, where uncertainties resulted in double-digit slides on the Moscow stock exchange and devaluation of the Russian rouble against the US dollar of around 10 per cent. This devaluation resulted in negative exchange differences in RBI's equity.

At the time of completion of RBI's annual financial statements on March 11, 2014, the performance of all currencies of relevance to RBI resulted in a reduction in common equity tier 1 (CET1) of around 25 basis points.

# Segment reports

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

# Segment overview

At € 835 million, RBI's profit before tax declined 20 per cent, or € 203 million, compared to the previous year, and was heavily influenced by positive one-off effects of € 276 million.

In Central Europe, profit before tax increased from € 53 million to € 65 million due to a higher operating result. Reductions in net provisioning for impairment losses, predominantly in Hungary and Poland, were fully offset by the newly introduced financial transaction tax in Hungary, as well as by higher bank levies and lower net income from financial investments.

Profit before tax in the Southeastern Europe segment declined 8 per cent to € 277 million year-on-year. This was due to higher net provisioning for impairment losses, especially in Bulgaria, Albania, Serbia and Croatia.

Russia made by far the largest regional contribution to earnings with profit before tax of € 615 million (up 3 per cent). While the operating result rose 8 per cent year-on-year and net income from financial investments substantially increased – following the sale of equity participations – net provisioning for impairment losses also increased.

In the CIS Other segment, profit before tax doubled to € 217 million, primarily due to a significant increase in operating income in Belarus and a substantial rise in net income from financial investments in Ukraine.

Despite higher operating income, profit before tax in the Group Corporates segment decreased from € 319 million to € 174 million mainly due to higher provisioning for impairment losses on loans to large corporate customers.

In the Group Markets segment, profit before tax fell 52 per cent to € 125 million year-on-year. This was attributable to a decline in net income from financial investments, which was influenced in the previous year by a one-off effect relating to sales of securities.

The Corporate Center segment reported a net loss before tax of € 130 million compared to a loss of € 399 million in the previous year. A significant improvement in net interest and dividend income, as well as lower depreciation of equity participations served to offset higher valuation losses on derivatives.

# Segment development

## Central Europe

In Central Europe, profit before tax rose 23 per cent to € 65 million in 2013. While a significantly lower net provisioning for impairment losses positively affected the results for the region, there was a negative effect from the lower net income from financial investments and higher bank levies. Return on equity before tax rose 0.3 percentage points to 2.0 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income[1] | 1,657 | 1,582 | 4.7% | 419 | 418 | 0.2% |
| General administrative expenses | (1,098) | (1,037) | 5.9% | (314) | (267) | 17.6% |
| **Operating result** | **558** | **545** | **2.4%** | **105** | **151** | **(30.6)%** |
| Net provisioning for impairment losses | (403) | (517) | (22.1)% | (143) | (91) | 57.1% |
| Other results[2] | (90) | 25 | – | (24) | (3) | >500.0% |
| **Profit/loss before tax** | **65** | **53** | **23.2%** | **(62)** | **56** | **–** |
| Assets | 38,421 | 40,787 | (5.8)% | 38,421 | 38,353 | 0.2% |
| Net interest margin (average interest-bearing assets) | 2.92% | 2.85% | 0.07 PP | 2.94% | 2.99% | (0.05) PP |
| **Return on equity before tax** | **2.0%** | **1.7%** | **0.3 PP** | **(7.6)%** | **6.9%** | **–** |

1 Operating income excl. impairment on goodwill and bank levies.
2 Other results incl. impairment on goodwill and bank levies.

### Operating income

The segment's net interest income increased 2 per cent year-on-year to € 1,068 million. As a result of the consolidation of Polbank, Poland reported an increase of 35 per cent, or € 81 million, which fully offset declines in other countries in this segment. In Slovakia, higher margins in new retail business, as well as repricing of existing deposits, resulted in a rise in net interest income. Hungary posted the largest decline in interest income as a result of reduced credit volumes, lower market interest rates, decreased income from derivative financial instruments, and a fall in income from securities. Moreover, a decline in retail and corporate customer business in the Czech Republic had a negative impact. The segment's net interest margin improved to 2.92 per cent, with the largest rise in interest margins being recorded in Slovakia and the largest decline in Hungary. Total assets were down 6 per cent, or € 2.4 billion, to € 38.4 billion year-on-year due to the optimization of liquidity and weak demand for credit. Credit-risk-weighted assets also decreased 5 per cent from € 22.0 billion to € 20.9 billion.

Net fee and commission income in the segment increased, by an overall, 10 per cent, or € 50 million, to € 546 million. Income from payment transfer business increased 19 per cent to € 240 million, largely driven by higher fees charged to customers in connection with the financial transaction tax recently introduced in Hungary. Income from securities business also rose 35 per cent to € 44 million due to an increase in Hungary. Similarly, income from foreign currency, notes/coins and precious metals business increased € 5 million to € 154 million, primarily as a result of the development in the Czech Republic and Poland.

Net trading income in the segment improved € 20 million year-on-year to € 28 million. Net income from interest-based transactions rose € 29 million to € 39 million year-on-year. This was attributable to the higher net income from interest-based derivatives in Hungary and Poland. In contrast, net income from currency-based transactions posted a decline from minus € 3 million to minus € 12 million year-on-year. The reduction was particularly significant in Poland, where one-off gains relating to transactions at Polbank, prior to its first-time consolidation in May 2012, led to a positive one-off effect last year. At the same time, Hungary recorded a substantial increase owing to gains from currency swaps.

Other net operating income for the region fell € 21 million to € 14 million year-on-year. In particular, the newly introduced financial transaction tax in Hungary, most of which, however, could be passed on to customers as shown in net fee and commission income, had a negative effect on net income. The release of a provision for VAT liabilities in Poland provided a positive contribution to other net operating income.

## General administrative expenses

General administrative expenses in the segment increased 6 per cent to € 1,098 million year-on-year. This development is largely attributable to depreciation on software in the Czech Republic, as well as the consolidation of Polbank and its continuing operational merger with the structures and systems of Raiffeisen Bank Polska S.A. In addition, staff expenses increased in Slovakia due to a change in statutory social security costs. This was set against reductions in the Czech Republic, Hungary, and Slovenia, resulting from cost saving programs. Other administrative expenses showed a slight € 1 million increase to € 436 million, primarily due to Polbank consolidation. In contrast, there were reductions in Hungary, the Czech Republic, Slovakia and Slovenia. The € 49 million year-on-year rise in depreciation was largely attributable to the € 57 million impairment of a core banking software system in the Czech Republic. The segment's number of business outlets decreased by 51 to 802 year-on-year, largely as a result of the optimization of local presence in Poland. The cost/income ratio rose 0.8 percentage points to 66.3 per cent.

## Net provisioning for impairment losses

The Central Europe segment revealed a favorable trend in provisioning for impairment losses, in 2013. Overall net provisioning for impairment losses fell € 114 million to € 403 million. Net allocations to individual loan loss provisions fell € 152 million to € 429 million, while net releases of portfolio-based loan loss provisions decreased € 45 million to € 16 million. Hungary, Poland and the Czech Republic reported decreases, whereas higher net provisioning for impairment losses was needed in Slovenia and Slovakia. In Hungary, provisioning for impairment losses dropped to € 152 million (2012: € 241 million) following additional loan loss provisions, in the previous year, due to the legally defined right to early repayment of foreign currency loans at an exchange rate below the market rate. Net provisioning for impairment losses fell € 41 million in Poland, where sales of large NPL portfolios had a positive effect. The Czech Republic reported a € 23 million decrease in net provisioning for impairment losses, following the prior year rise as a result of higher mortgage loans allocations. Net provisioning for impairment losses almost doubled in Slovenia due to an increase in volumes of non-performing loans to corporate customers. Higher net provisioning for impairment losses was required in Slovakia for both corporate and retail customers.

The share of non-bank non-performing loans in the loan portfolio in the Central Europe segment rose 0.7 percentage points to 12.2 per cent, while the NPL coverage ratio improved slightly to 64.3 per cent.

## Other results and taxes

Other results of the Central Europe segment decreased from plus € 25 million to minus € 90 million year-on-year. This was mainly attributable to bank levies in Slovakia and Hungary, as well as the newly introduced financial transaction tax in Hungary. This led to a negative € 93 million impact on income – an increase of € 40 million compared to last year – as well as to a significantly reduced net income from financial investments and negative net income from derivatives.

Net income from financial investments fell by € 43 million overall to € 9 million, with the valuation of the fair-value portfolio of securities declining € 32 million to € 17 million. A significantly weaker valuation of municipal bonds in Hungary resulted in a decline of € 24 million. Net proceeds from sales of equity participations remained below € 1 million during the reporting period, following prior year net proceeds of € 9 million primarily as a result of the sale of VISA shares in Croatia, Serbia, as well as Bosnia and Herzegovina.

The segment posted net income from derivatives of minus € 4 million (2012: plus € 16 million) for the reporting period, mainly due to valuation losses from various hedging transactions, carried out to adjust the currency and interest-rate structure in the Czech Republic.

Income taxes for the segment were down 14 per cent to € 58 million. The tax rate remained extraordinarily high at 89 per cent. As in the previous year, the high tax rate was the result of the situation in Hungary, where incurred losses could not be deducted for tax purposes through the recognition of corresponding tax loss carry-forwards. Similarly, tax loss carry-forwards relating to the Polbank consolidation could not be fully utilized due to tax restrictions.

Detailed results of individual countries:

## Czech Republic

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 232 | 257 | (9.7)% | 55 | 56 | (3.0)% |
| Net fee and commission income | 125 | 125 | 0.3% | 29 | 30 | (4.4)% |
| Net trading income | 15 | 5 | 209.8% | 4 | 2 | 124.4% |
| Other net operating income | 14 | 8 | 66.1% | 5 | 4 | 29.0% |
| **Operating income** | **386** | **395** | **(2.2)%** | **93** | **93** | **0.7%** |
| General administrative expenses | (277) | (237) | 17.2% | (95) | (67) | 42.3% |
| **Operating result** | **109** | **158** | **(31.3)%** | **(2)** | **26** | **–** |
| Net provisioning for impairment losses | (52) | (75) | (31.0)% | (26) | (7) | 291.6% |
| Other results | (6) | 16 | – | (4) | (2) | 47.6% |
| **Profit/loss before tax** | **51** | **99** | **(48.9)%** | **(31)** | **17** | **–** |
| Income taxes | (8) | (21) | (63.1)% | 9 | (4) | – |
| **Profit/loss after tax** | **43** | **78** | **(45.1)%** | **(22)** | **12** | **–** |
| | | | | | | |
| Assets | 7,987 | 8,938 | (10.6)% | 7,987 | 8,274 | (3.5)% |
| Loans and advances to customers | 5,983 | 6,380 | (6.2)% | 5,983 | 6,289 | (4.9)% |
| hereof corporate % | 44.0% | 44.0% | 0.0 PP | 44.0% | 43.4% | 0.6 PP |
| hereof retail % | 55.6% | 55.8% | (0.3) PP | 55.6% | 56.2% | (0.6) PP |
| hereof foreign currency % | 11.7% | 7.1% | 4.6 PP | 11.7% | 9.4% | 2.3 PP |
| Deposits from customers | 5,757 | 6,319 | (8.9)% | 5,757 | 5,804 | (0.8)% |
| Loan/deposit ratio | 104.5% | 101.0% | 3.6 PP | 104.5% | 108.3% | (3.8) PP |
| | | | | | | |
| Equity | 705 | 737 | (4.4)% | 705 | 777 | (9.2)% |
| Return on equity before tax | 7.6% | 16.3% | (8.7) PP | – | 9.4% | – |
| Return on equity after tax | 6.5% | 12.8% | (6.4) PP | – | 6.9% | – |
| Cost/income ratio | 71.9% | 60.0% | 11.9 PP | 102.1% | 72.2% | 29.9 PP |
| Net interest margin (average interest-bearing assets) | 3.00% | 3.14% | (0.14) PP | 2.90% | 2.93% | (0.03) PP |
| | | | | | | |
| Employees as of reporting date | 2,773 | 3,066 | (9.6)% | 2,773 | 2,832 | (2.1)% |
| Business outlets | 129 | 132 | (2.3)% | 129 | 130 | (0.8)% |
| Customers | 486,909 | 486,261 | 0.1% | 486,909 | 483,302 | 0.7% |

## Hungary

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 196 | 239 | (17.9)% | 48 | 48 | (0.1)% |
| Net fee and commission income | 118 | 77 | 53.4% | 34 | 30 | 13.3% |
| Net trading income | 1 | (62) | – | 17 | 2 | >500.0% |
| Other net operating income | (48) | (12) | 305.4% | (16) | (12) | 29.1% |
| **Operating income** | **268** | **243** | **10.4%** | **82** | **68** | **21.3%** |
| General administrative expenses | (185) | (197) | (6.2)% | (48) | (45) | 7.1% |
| **Operating result** | **83** | **45** | **83.3%** | **34** | **23** | **49.7%** |
| Net provisioning for impairment losses | (152) | (241) | (36.9)% | (55) | (25) | 122.6% |
| Other results | (41) | 34 | – | (12) | 5 | – |
| **Profit/loss before tax** | **(110)** | **(162)** | **(31.8)%** | **(33)** | **3** | **–** |
| Income taxes | (6) | (12) | (53.5)% | (3) | (1) | 109.9% |
| **Profit/loss after tax** | **(116)** | **(174)** | **(33.3)%** | **(35)** | **2** | **–** |
| | | | | | | |
| Assets | 6,230 | 7,155 | (12.9)% | 6,230 | 6,270 | (0.6)% |
| Loans and advances to customers | 4,990 | 5,231 | (4.6)% | 4,990 | 5,161 | (3.3)% |
| hereof corporate % | 52.5% | 55.8% | (3.3) PP | 52.5% | 53.0% | (0.5) PP |
| hereof retail % | 36.0% | 37.9% | (1.9) PP | 36.0% | 36.0% | 0.0 PP |
| hereof foreign currency % | 60.5% | 63.3% | (2.8) PP | 60.5% | 61.7% | (1.1) PP |
| Deposits from customers | 4,163 | 4,927 | (15.5)% | 4,163 | 4,082 | 2.0% |
| Loan/deposit ratio | 119.9% | 106.5% | 13.4 PP | 119.9% | 126.4% | (6.5) PP |
| | | | | | | |
| Equity | 402 | 373 | 7.8% | 402 | 371 | 8.5% |
| Return on equity before tax | – | – | – | – | – | – |
| Return on equity after tax | – | – | – | – | – | – |
| Cost/income ratio | 69.1% | 81.4% | (12.3) PP | 58.7% | 66.6% | (7.8) PP |
| Net interest margin (average interest-bearing assets) | 3.18% | 3.43% | (0.25) PP | 3.24% | 3.24% | 0.00 PP |
| | | | | | | |
| Employees as of reporting date | 2,603 | 2,865 | (9.1)% | 2,603 | 2,715 | (4.1)% |
| Business outlets | 122 | 125 | (2.4)% | 122 | 124 | (1.6)% |
| Customers | 606,021 | 622,990 | (2.7)% | 606,021 | 604,565 | 0.2% |

## Poland

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 312 | 269 | 15.7% | 78 | 82 | (4.9)% |
| Net fee and commission income | 161 | 154 | 4.2% | 38 | 42 | (9.7)% |
| Net trading income | 7 | 19 | (64.6)% | (1) | 1 | – |
| Other net operating income | 25 | 17 | 45.9% | 2 | 3 | (31.1)% |
| **Operating income** | **504** | **460** | **9.6%** | **117** | **129** | **(9.2)%** |
| General administrative expenses | (362) | (329) | 10.0% | (96) | (87) | 10.7% |
| **Operating result** | **142** | **131** | **8.7%** | **21** | **42** | **(50.4)%** |
| Net provisioning for impairment losses | (86) | (127) | (32.2)% | (12) | (30) | (59.6)% |
| Other results | (2) | 2 | – | 0 | 0 | 66.0% |
| **Profit before tax** | **54** | **6** | **>500.0%** | **9** | **12** | **(27.9)%** |
| Income taxes | (14) | (5) | 161.2% | (3) | (3) | (12.6)% |
| **Profit after tax** | **41** | **1** | **>500.0%** | **6** | **9** | **(32.8)%** |
| | | | | | | |
| Assets | 12,881 | 13,428 | (4.1)% | 12,881 | 12,708 | 1.4% |
| Loans and advances to customers | 9,744 | 10,451 | (6.8)% | 9,744 | 9,832 | (0.9)% |
| hereof corporate % | 33.5% | 32.3% | 1.2 PP | 33.5% | 33.0% | 0.5 PP |
| hereof retail % | 66.4% | 67.6% | (1.2) PP | 66.4% | 66.8% | (0.4) PP |
| hereof foreign currency % | 55.4% | 54.0% | 1.4 PP | 55.4% | 55.6% | (0.2) PP |
| Deposits from customers | 7,280 | 7,901 | (7.9)% | 7,280 | 7,053 | 3.2% |
| Loan/deposit ratio | 133.8% | 132.3% | 1.6 PP | 133.8% | 139.4% | (5.6) PP |
| | | | | | | |
| Equity | 1,475 | 1,470 | 0.3% | 1,475 | 1,446 | 2.0% |
| Return on equity before tax | 3.7% | 0.6% | 3.2 PP | 2.5% | 3.5% | (1.0) PP |
| Return on equity after tax | 2.8% | 0.1% | 2.7 PP | 1.8% | 2.7% | (0.9) PP |
| Cost/income ratio | 71.8% | 71.6% | 0.3 PP | 82.2% | 67.4% | 14.8 PP |
| Net interest margin (average interest-bearing assets) | 2.54% | 2.53% | 0.01 PP | 2.62% | 2.72% | (0.10) PP |
| | | | | | | |
| Employees as of reporting date | 5,985 | 6,656 | (10.1)% | 5,985 | 6,124 | (2.3)% |
| Business outlets | 370 | 416 | (11.1)% | 370 | 371 | (0.3)% |
| Customers | 776,917 | 871,102 | (10.8)% | 776,917 | 806,789 | (3.7)% |

## Slovakia

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 308 | 291 | 5.8% | 80 | 79 | 0.8% |
| Net fee and commission income | 135 | 132 | 1.9% | 34 | 34 | 0.8% |
| Net trading income | 5 | 6 | (25.0)% | 1 | 1 | (0.5)% |
| Other net operating income | 26 | 22 | 19.1% | 7 | 7 | (4.2)% |
| **Operating income** | **474** | **452** | **4.9%** | **122** | **122** | **0.5%** |
| General administrative expenses | (251) | (250) | 0.6% | (68) | (63) | 8.3% |
| **Operating result** | **222** | **202** | **10.2%** | **54** | **59** | **(7.9)%** |
| Net provisioning for impairment losses | (48) | (41) | 18.7% | (19) | (11) | 70.2% |
| Other results | (41) | (27) | 49.0% | (8) | (9) | (6.3)% |
| **Profit before tax** | **134** | **134** | **(0.3)%** | **27** | **39** | **(30.1)%** |
| Income taxes | (31) | (28) | 9.0% | (8) | (8) | (4.4)% |
| **Profit after tax** | **103** | **106** | **(2.8)%** | **19** | **31** | **(37.2)%** |
| | | | | | | |
| Assets | 10,009 | 9,667 | 3.5% | 10,009 | 9,769 | 2.5% |
| Loans and advances to customers | 6,879 | 6,645 | 3.5% | 6,879 | 6,911 | (0.5)% |
| hereof corporate % | 46.7% | 49.3% | (2.6) PP | 46.7% | 47.3% | (0.6) PP |
| hereof retail % | 53.0% | 50.5% | 2.6 PP | 53.0% | 52.5% | 0.6 PP |
| hereof foreign currency % | 0.6% | 0.9% | (0.2) PP | 0.6% | 0.6% | 0.0 PP |
| Deposits from customers | 7,320 | 7,233 | 1.2% | 7,320 | 7,321 | 0.0% |
| Loan/deposit ratio | 94.0% | 91.9% | 2.1 PP | 94.0% | 94.4% | (0.4) PP |
| | | | | | | |
| Equity | 1,028 | 1,075 | (4.3)% | 1,028 | 1,012 | 1.6% |
| Return on equity before tax | 14.1% | 14.2% | (0.1) PP | 11.9% | 17.0% | (5.1) PP |
| Return on equity after tax | 10.8% | 11.2% | (0.4) PP | 8.4% | 13.3% | (5.0) PP |
| Cost/income ratio | 53.1% | 55.3% | (2.3) PP | 55.6% | 51.6% | 4.0 PP |
| Net interest margin (average interest-bearing assets) | 3.38% | 3.18% | 0.20 PP | 3.39% | 3.47% | (0.08) PP |
| | | | | | | |
| Employees as of reporting date | 3,853 | 3,827 | 0.7% | 3,853 | 3,844 | 0.2% |
| Business outlets | 165 | 163 | 1.2% | 165 | 163 | 1.2% |
| Customers | 895,376 | 840,728 | 6.5% | 895,376 | 889,023 | 0.7% |

## Slovenia

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 19 | 25 | (21.9)% | 4 | 5 | (10.8)% |
| Net fee and commission income | 8 | 8 | (1.5)% | 2 | 2 | 5.3% |
| Net trading income | 1 | 1 | 20.5% | 0 | 0 | (22.7)% |
| Other net operating income | (3) | 0 | – | (3) | (1) | 392.5% |
| **Operating income** | **25** | **34** | **(25.2)%** | **4** | **6** | **(42.2)%** |
| General administrative expenses | (22) | (24) | (7.5)% | (6) | (5) | 21.2% |
| **Operating result** | **3** | **9** | **(70.8)%** | **(3)** | **1** | **–** |
| Net provisioning for impairment losses | (65) | (34) | 92.9% | (31) | (19) | 66.5% |
| Other results | (1) | 0 | >500.0% | 0 | 0 | 21.9% |
| **Loss before tax** | **(63)** | **(24)** | **157.9%** | **(34)** | **(18)** | **91.3%** |
| Income taxes | 0 | (1) | (54.1)% | (1) | 0 | – |
| **Loss after tax** | **(63)** | **(25)** | **149.9%** | **(35)** | **(18)** | **95.3%** |
| | | | | | | |
| Assets | 1,341 | 1,612 | (16.8)% | 1,341 | 1,339 | 0.2% |
| Loans and advances to customers | 1,051 | 1,225 | (14.3)% | 1,051 | 1,097 | (4.2)% |
| hereof corporate % | 60.9% | 62.4% | (1.5) PP | 60.9% | 61.1% | (0.3) PP |
| hereof retail % | 31.8% | 31.2% | 0.5 PP | 31.8% | 31.8% | (0.1) PP |
| hereof foreign currency % | 4.2% | 4.9% | (0.7) PP | 4.2% | 4.3% | 0.0 PP |
| Deposits from customers | 423 | 495 | (14.6)% | 423 | 397 | 6.5% |
| Loan/deposit ratio | 248.4% | 247.6% | 0.9 PP | 248.4% | 276.1% | (27.7) PP |
| | | | | | | |
| Equity | 33 | 56 | (41.9)% | 33 | 27 | 18.7% |
| Return on equity before tax | – | – | – | – | – | – |
| Return on equity after tax | – | – | – | – | – | – |
| Cost/income ratio | 89.1% | 72.0% | 17.1 PP | 171.2% | 81.6% | 89.6 PP |
| Net interest margin (average interest-bearing assets) | 1.43% | 1.57% | (0.14) PP | 1.36% | 1.42% | (0.05) PP |
| | | | | | | |
| Employees as of reporting date | 245 | 310 | (21.0)% | 245 | 253 | (3.2)% |
| Business outlets | 16 | 17 | (5.9)% | 16 | 17 | (5.9)% |
| Customers | 65,441 | 68,593 | (4.6)% | 65,441 | 65,719 | (0.4)% |

# Southeastern Europe

In Southeastern Europe, profit before tax fell 8 per cent to € 277 million year-on-year as a result of higher net provisioning for impairment losses. Return on equity before tax declined 1.0 percentage point to 13.7 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income | 1,285 | 1,281 | 0.3% | 321 | 329 | (2.4)% |
| General administrative expenses | (698) | (702) | (0.5)% | (184) | (172) | 6.7% |
| **Operating result** | **587** | **579** | **1.3%** | **137** | **157** | **(12.4)%** |
| Net provisioning for impairment losses | (326) | (287) | 13.4% | (107) | (70) | 51.6% |
| Other results | 16 | 11 | 51.6% | 1 | 6 | (81.4)% |
| **Profit before tax** | **277** | **303** | **(8.4)%** | **31** | **92** | **(65.7)%** |
| Assets | 21,160 | 21,346 | (0.9)% | 21,160 | 21,358 | (0.9)% |
| Net interest margin (average interest-bearing assets) | 4.37% | 4.21% | 0.16 PP | 4.42% | 4.46% | (0.04) PP |
| **Return on equity before tax** | **13.7%** | **14.7%** | **(1.0) PP** | **6.2%** | **17.9%** | **(11.7) PP** |

## Operating income

The segment's net interest income fell 1 per cent to € 862 million year-on-year. This was largely attributable to declines in Romania and Bulgaria. Lower market interest rates and falling interest income from securities were responsible for the fall in Romania. In Bulgaria, lower lending volumes in the retail and corporate business, and clearly lower market interest rates, led to a drop in net interest income. In contrast, net interest income in Serbia increased due to reduced interest expenses for customer deposits. The segment's net interest margin rose 16 basis points to 4.37 per cent. Total assets, however, decreased 1 per cent year-on-year to € 21.2 billion, while credit risk-weighted assets also declined 5 per cent to € 12.5 billion.

Net fee and commission income was up 9 per cent, or € 29 million, to € 348 million. Income from payment transfer business increased 7 per cent year-on-year, again delivering the largest contribution with € 191 million – above all in Romania and Serbia. Income from loan and guarantee business, which increased mainly in Romania due to higher volumes, rose 35 per cent to € 28 million. Increases of € 4 million each were reported in net income from the sale of own and third party products, as well as in income from securities business – predominantly the result of the development in Romania and Croatia.

Net trading income for the Southeastern Europe segment was virtually unchanged year-on-year at € 53 million. A decline in income from interest-based transactions was largely offset by higher net income from currency-based transactions. The reduction in income from interest-based transactions was mainly the result of business performance in Croatia, where lower spreads led to higher valuation gains from bonds in the trading portfolio in the previous year. During the reporting period, changes in the market environment caused RBI to pursue a more defensive strategy. The rise in net income from currency-based transactions, in 2013, was largely the result of positive market valuations of forward exchange contracts following currency appreciation in Romania and Serbia.

Other net operating income fell € 17 million to € 22 million year-on-year. Allocations to other provisions and losses on the sale of tangible and intangible fixed assets in some of the region's countries weighed on the result. Income from operating leasing business also decreased – above all in Croatia.

## General administrative expenses

General administrative expenses fell 1 per cent to € 698 million year-on-year. Staff expenses declined € 2 million to € 302 million as a result of lower bonus payments. The € 5 million rise in other administrative expenses to € 309 million was primarily due to higher expenses for deposit insurance fees, increased advertising, PR and promotional, as well as higher IT expenses. Depreciation decreased 7 per cent, or € 7 million, to € 87 million, mainly as a result of lower depreciation on tangible fixed assets in Croatia and Romania, as well as leased assets in Croatia. The cost/income ratio improved 0.4 percentage points to 54.3 per cent.

## Net provisioning for impairment losses

Net provisioning for impairment losses in the Southeastern Europe segment increased 13 per cent, or € 38 million, to € 326 million year-on-year. Net allocations for individual loan loss provisions increased 10 per cent, or € 29 million, to € 335 million. All countries except for Bosnia and Herzegovina contributed to the rise. The largest increases were reported in Bulgaria and Croatia. In Bulgaria, this was due to higher direct write-downs of loans to major customers, while in Croatia higher provisions were required in the leasing business and for loans to private customers (home and car loans, overdrafts). In the case of portfolio-based loan loss provisions, there were net releases of € 7 million in the reporting year – predominantly in Bulgaria, Croatia and Serbia. However, they were € 9 million lower than in the previous year. The share of non-bank non-performing loans in the segment's loan portfolio increased 1.4 percentage points to 13.9 per cent, while the NPL coverage ratio improved 0.9 percentage points to 62.9 per cent.

## Other results and taxes

Other results in the segment increased from € 11 million to € 16 million year-on-year. Primarily positive valuation results from interest rate swaps in Croatia, led to a result of € 8 million from derivative financial instruments, after valuation losses of € 6 million had been reported in the previous year.

Net income from financial investments fell € 9 million to € 9 million. On the one hand, net proceeds from the sale of equity participations declined € 7 million after prior year gains had been reported from the sale of VISA shares in Croatia, Serbia, as well as Bosnia and Herzegovina. On the other hand, securities valued at fair value through profit and loss declined € 2 million to € 8 million. The valuation result contained therein fell from plus € 3 million in the previous year to minus € 3 million in the reporting year, as a result of a changed statement of interest in Serbia. Net proceeds were up € 4 million to € 11 million, mostly as a result of the sale of government bonds in Romania.

In the reporting year, the deconsolidation of a subsidiary in Southeastern Europe led to a loss of € 2 million.

Income taxes for the region declined 19 per cent to € 29 million year-on-year, largely as a result of a one-off effect, due to the release of a deferred tax liability in the amount of € 12 million in Romania. In contrast, a higher income tax rate resulted in a rise in tax expense in Albania. The tax rate in the Southeastern Europe segment fell 1 percentage point to 11 per cent.

Detailed results of individual countries:

## Albania

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 77 | 77 | (0.2)% | 21 | 19 | 7.5% |
| Net fee and commission income | 9 | 8 | 11.6% | 1 | 3 | (52.0)% |
| Net trading income | 21 | 19 | 11.0% | 5 | 6 | (19.3)% |
| Other net operating income | (1) | (1) | 44.4% | (2) | 0 | – |
| **Operating income** | **106** | **103** | **2.4%** | **24** | **28** | **(13.4)%** |
| General administrative expenses | (42) | (42) | (0.3)% | (12) | (10) | 13.3% |
| **Operating result** | **63** | **61** | **4.3%** | **12** | **17** | **(29.5)%** |
| Net provisioning for impairment losses | (29) | (20) | 43.7% | (11) | (7) | 67.2% |
| Other results | 0 | 0 | – | 0 | 0 | – |
| **Profit before tax** | **35** | **41** | **(14.8)%** | **1** | **11** | **(88.6)%** |
| Income taxes | (3) | (3) | (7.5)% | 0 | (1) | – |
| **Profit after tax** | **32** | **37** | **(15.5)%** | **2** | **10** | **(83.1)%** |
| | | | | | | |
| Assets | 2,084 | 2,289 | (9.0)% | 2,084 | 2,161 | (3.5)% |
| Loans and advances to customers | 916 | 974 | (6.0)% | 916 | 899 | 1.9% |
| hereof corporate % | 69.7% | 68.7% | 1.0 PP | 69.7% | 69.4% | 0.3 PP |
| hereof retail % | 30.3% | 31.3% | (1.0) PP | 30.3% | 30.6% | (0.3) PP |
| hereof foreign currency % | 68.5% | 64.6% | 3.9 PP | 68.5% | 65.5% | 3.1 PP |
| Deposits from customers | 1,758 | 2,037 | (13.7)% | 1,758 | 1,856 | (5.3)% |
| Loan/deposit ratio | 52.1% | 47.8% | 4.3 PP | 52.1% | 48.4% | 3.7 PP |
| | | | | | | |
| Equity | 220 | 227 | (3.3)% | 220 | 217 | 1.4% |
| Return on equity before tax | 18.3% | 22.7% | (4.4) PP | 2.6% | 21.5% | (18.9) PP |
| Return on equity after tax | 16.6% | 20.8% | (4.1) PP | 3.4% | 19.2% | (15.8) PP |
| Cost/income ratio | 39.8% | 40.9% | (1.1) PP | 49.1% | 37.5% | 11.6 PP |
| Net interest margin (average interest-bearing assets) | 4.23% | 3.91% | 0.33 PP | 4.70% | 4.30% | 0.41 PP |
| | | | | | | |
| Employees as of reporting date | 1,371 | 1,388 | (1.2)% | 1,371 | 1,389 | (1.3)% |
| Business outlets | 104 | 105 | (1.0)% | 104 | 105 | (1.0)% |
| Customers | 719,949 | 712,875 | 1.0% | 719,949 | 724,770 | (0.7)% |

## Bosnia and Herzegovina

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 74 | 72 | 1.8% | 19 | 19 | (2.0)% |
| Net fee and commission income | 33 | 31 | 4.9% | 10 | 9 | 11.0% |
| Net trading income | 1 | 1 | 1.0% | (1) | 1 | – |
| Other net operating income | 1 | 0 | >500.0% | (1) | 0 | – |
| **Operating income** | **109** | **105** | **3.6%** | **27** | **29** | **(7.6)%** |
| General administrative expenses | (65) | (63) | 2.4% | (19) | (17) | 13.0% |
| **Operating result** | **44** | **42** | **5.5%** | **8** | **12** | **(36.0)%** |
| Net provisioning for impairment losses | (15) | (21) | (28.2)% | (8) | (1) | >500.0% |
| Other results | (1) | 2 | – | 0 | 0 | (43.8)% |
| **Profit before tax** | **29** | **23** | **25.9%** | **0** | **11** | **–** |
| Income taxes | (3) | (3) | (21.9)% | 0 | (1) | – |
| **Profit after tax** | **26** | **19** | **34.2%** | **0** | **10** | **(95.8)%** |
| | | | | | | |
| Assets | 2,022 | 1,983 | 2.0% | 2,022 | 2,013 | 0.4% |
| Loans and advances to customers | 1,223 | 1,259 | (2.9)% | 1,223 | 1,258 | (2.8)% |
| hereof corporate % | 35.8% | 39.5% | (3.7) PP | 35.8% | 37.1% | (1.3) PP |
| hereof retail % | 63.7% | 59.8% | 3.9 PP | 63.7% | 62.1% | 1.6 PP |
| hereof foreign currency % | 73.4% | 73.5% | (0.1) PP | 73.4% | 74.6% | (1.2) PP |
| Deposits from customers | 1,567 | 1,526 | 2.7% | 1,567 | 1,556 | 0.7% |
| Loan/deposit ratio | 78.1% | 82.5% | (4.4) PP | 78.1% | 80.9% | (2.8) PP |
| | | | | | | |
| Equity | 269 | 258 | 4.2% | 269 | 268 | 0.2% |
| Return on equity before tax | 12.0% | 9.6% | 2.4 PP | – | 18.4% | – |
| Return on equity after tax | 10.9% | 8.1% | 2.7 PP | 0.7% | 16.2% | (15.6) PP |
| Cost/income ratio | 59.4% | 60.1% | (0.7) PP | 70.9% | 58.0% | 12.9 PP |
| Net interest margin (average interest-bearing assets) | 3.91% | 3.72% | 0.19 PP | 3.89% | 3.99% | (0.10) PP |
| | | | | | | |
| Employees as of reporting date | 1,491 | 1,561 | (4.5)% | 1,491 | 1,504 | (0.9)% |
| Business outlets | 98 | 98 | 0.0% | 98 | 98 | 0.0% |
| Customers | 496,690 | 496,107 | 0.1% | 496,690 | 496,807 | 0.0% |

## Bulgaria

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 129 | 136 | (5.3)% | 31 | 34 | (10.2)% |
| Net fee and commission income | 38 | 37 | 1.2% | 10 | 10 | (0.5)% |
| Net trading income | 3 | 5 | (43.7)% | 1 | 1 | 121.6% |
| Other net operating income | (3) | (1) | 481.7% | (4) | 0 | >500.0% |
| **Operating income** | **166** | **178** | **(6.7)%** | **38** | **44** | **(14.3)%** |
| General administrative expenses | (92) | (93) | (0.5)% | (25) | (23) | 7.9% |
| **Operating result** | **74** | **85** | **(13.4)%** | **14** | **22** | **(37.6)%** |
| Net provisioning for impairment losses | (91) | (76) | 20.4% | (37) | (22) | 71.3% |
| Other results | (1) | 1 | – | 0 | 0 | – |
| **Profit/loss before tax** | **(18)** | **11** | **–** | **(24)** | **0** | **>500.0%** |
| Income taxes | 2 | 0 | – | 2 | 0 | >500.0% |
| **Profit/loss after tax** | **(15)** | **10** | **–** | **(21)** | **0** | **>500.0%** |
| | | | | | | |
| Assets | 3,203 | 3,486 | (8.1)% | 3,203 | 3,409 | (6.0)% |
| Loans and advances to customers | 2,526 | 2,883 | (12.4)% | 2,526 | 2,629 | (3.9)% |
| hereof corporate % | 44.0% | 45.9% | (1.9) PP | 44.0% | 44.4% | (0.4) PP |
| hereof retail % | 55.5% | 53.5% | 2.0 PP | 55.5% | 55.1% | 0.4 PP |
| hereof foreign currency % | 67.2% | 75.0% | (7.7) PP | 67.2% | 71.6% | (4.3) PP |
| Deposits from customers | 2,133 | 2,156 | (1.0)% | 2,133 | 2,157 | (1.1)% |
| Loan/deposit ratio | 118.4% | 133.7% | (15.3) PP | 118.4% | 121.9% | (3.5) PP |
| | | | | | | |
| Equity | 472 | 500 | (5.7)% | 472 | 505 | (6.6)% |
| Return on equity before tax | – | 2.2% | – | – | – | – |
| Return on equity after tax | – | 2.1% | – | – | – | – |
| Cost/income ratio | 55.5% | 52.1% | 3.4 PP | 64.5% | 51.3% | 13.3 PP |
| Net interest margin (average interest-bearing assets) | 3.93% | 3.92% | 0.01 PP | 3.81% | 4.18% | (0.37) PP |
| | | | | | | |
| Employees as of reporting date | 2,965 | 3,119 | (4.9)% | 2,965 | 3,029 | (2.1)% |
| Business outlets | 168 | 183 | (8.2)% | 168 | 178 | (5.6)% |
| Customers | 740,812 | 791,751 | (6.4)% | 740,812 | 738,588 | 0.3% |

## Croatia

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 153 | 152 | 0.3% | 41 | 39 | 3.9% |
| Net fee and commission income | 56 | 57 | (1.3)% | 13 | 17 | (20.4)% |
| Net trading income | 11 | 18 | (39.5)% | 4 | 1 | 301.6% |
| Other net operating income | 24 | 28 | (15.2)% | 5 | 6 | (6.3)% |
| **Operating income** | **243** | **255** | **(4.6)%** | **63** | **63** | **0.7%** |
| General administrative expenses | (130) | (137) | (5.1)% | (32) | (32) | 0.5% |
| **Operating result** | **114** | **119** | **(4.0)%** | **31** | **31** | **0.9%** |
| Net provisioning for impairment losses | (58) | (52) | 12.2% | (10) | (7) | 40.1% |
| Other results | 0 | (10) | – | (2) | 0 | >500.0% |
| **Profit before tax** | **56** | **56** | **(0.9)%** | **19** | **23** | **(17.6)%** |
| Income taxes | (11) | (11) | 1.2% | (4) | (5) | (17.4)% |
| **Profit after tax** | **45** | **45** | **(1.4)%** | **15** | **19** | **(17.6)%** |
| | | | | | | |
| Assets | 4,749 | 5,097 | (6.8)% | 4,749 | 4,948 | (4.0)% |
| Loans and advances to customers | 3,436 | 3,525 | (2.5)% | 3,436 | 3,468 | (0.9)% |
| hereof corporate % | 41.8% | 39.7% | 2.2 PP | 41.8% | 41.5% | 0.3 PP |
| hereof retail % | 48.9% | 49.4% | (0.6) PP | 48.9% | 49.0% | (0.2) PP |
| hereof foreign currency % | 68.8% | 61.2% | 7.6 PP | 68.8% | 67.0% | 1.8 PP |
| Deposits from customers | 2,863 | 3,040 | (5.8)% | 2,863 | 3,012 | (5.0)% |
| Loan/deposit ratio | 120.0% | 116.1% | 3.8 PP | 120.0% | 115.9% | 4.0 PP |
| | | | | | | |
| Equity | 750 | 761 | (1.4)% | 750 | 736 | 2.0% |
| Return on equity before tax | 7.9% | 7.7% | 0.2 PP | 10.9% | 13.1% | (2.2) PP |
| Return on equity after tax | 6.3% | 6.2% | 0.1 PP | 8.7% | 10.5% | (1.7) PP |
| Cost/income ratio | 53.2% | 53.5% | (0.3) PP | 50.4% | 50.5% | (0.1) PP |
| Net interest margin (average interest-bearing assets) | 3.58% | 3.18% | 0.40 PP | 3.99% | 3.64% | 0.35 PP |
| | | | | | | |
| Employees as of reporting date | 2,036 | 2,066 | (1.5)% | 2,036 | 2,040 | (0.2)% |
| Business outlets | 76 | 79 | (3.8)% | 76 | 76 | 0.0% |
| Customers | 475,838 | 479,399 | (0.7)% | 475,838 | 474,668 | 0.2% |

## Kosovo

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 39 | 38 | 1.6% | 9 | 10 | (5.7)% |
| Net fee and commission income | 8 | 8 | 1.9% | 2 | 2 | (8.0)% |
| Net trading income | 0 | 0 | (30.3)% | 0 | 0 | – |
| Other net operating income | 0 | 0 | 104.9% | 0 | 0 | 30.0% |
| **Operating income** | **46** | **46** | **1.1%** | **11** | **12** | **(7.3)%** |
| General administrative expenses | (25) | (27) | (5.1)% | (7) | (6) | 13.4% |
| **Operating result** | **21** | **19** | **9.5%** | **4** | **6** | **(28.9)%** |
| Net provisioning for impairment losses | (4) | (5) | (6.5)% | (1) | (1) | (1.2)% |
| Other results | 1 | 0 | – | 0 | 0 | 48.0% |
| **Profit before tax** | **18** | **15** | **20.8%** | **4** | **5** | **(31.1)%** |
| Income taxes | (2) | (2) | 14.1% | 0 | (1) | (41.6)% |
| **Profit after tax** | **16** | **13** | **21.6%** | **3** | **5** | **(29.8)%** |
| | | | | | | |
| Assets | 699 | 629 | 11.2% | 699 | 654 | 6.9% |
| Loans and advances to customers | 458 | 428 | 6.9% | 458 | 454 | 0.9% |
| hereof corporate % | 39.4% | 37.7% | 1.7 PP | 39.4% | 39.4% | 0.1 PP |
| hereof retail % | 60.6% | 62.3% | (1.7) PP | 60.6% | 60.6% | (0.1) PP |
| hereof foreign currency % | 0.0% | 0.0% | 0.0 PP | 0.0% | 0.0% | 0.0 PP |
| Deposits from customers | 558 | 514 | 8.5% | 558 | 515 | 8.2% |
| Loan/deposit ratio | 82.1% | 83.3% | (1.2) PP | 82.1% | 88.0% | (5.9) PP |
| | | | | | | |
| Equity | 108 | 100 | 8.3% | 108 | 105 | 3.1% |
| Return on equity before tax | 19.6% | 16.8% | 2.9 PP | 15.4% | 21.4% | (6.1) PP |
| Return on equity after tax | 17.6% | 14.9% | 2.7 PP | 13.9% | 19.1% | (5.1) PP |
| Cost/income ratio | 54.4% | 57.9% | (3.5) PP | 62.5% | 51.1% | 11.4 PP |
| Net interest margin (average interest-bearing assets) | 6.07% | 5.96% | 0.10 PP | 5.69% | 6.26% | (0.56) PP |
| | | | | | | |
| Employees as of reporting date | 699 | 688 | 1.6% | 699 | 701 | (0.3)% |
| Business outlets | 54 | 52 | 3.8% | 54 | 51 | 5.9% |
| Customers | 251,035 | 273,486 | (8.2)% | 251,035 | 246,190 | 2.0% |

## Romania

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 281 | 303 | (7.2)% | 69 | 71 | (2.0)% |
| Net fee and commission income | 168 | 143 | 18.0% | 51 | 42 | 20.4% |
| Net trading income | 14 | 9 | 50.8% | 3 | 4 | (21.8)% |
| Other net operating income | 2 | 3 | (35.0)% | (1) | (1) | 39.8% |
| **Operating income** | **465** | **458** | **1.7%** | **122** | **116** | **5.3%** |
| General administrative expenses | (271) | (263) | 2.7% | (71) | (66) | 7.5% |
| **Operating result** | **195** | **194** | **0.2%** | **51** | **50** | **2.3%** |
| Net provisioning for impairment losses | (106) | (99) | 6.8% | (31) | (28) | 10.7% |
| Other results | 16 | 6 | 153.4% | 2 | 7 | (70.2)% |
| **Profit before tax** | **104** | **101** | **3.1%** | **23** | **29** | **(22.5)%** |
| Income taxes | (4) | (15) | (70.0)% | (4) | (5) | (23.0)% |
| **Profit after tax** | **100** | **86** | **15.8%** | **19** | **25** | **(22.4)%** |
| | | | | | | |
| Assets | 6,528 | 5,982 | 9.1% | 6,528 | 6,315 | 3.4% |
| Loans and advances to customers | 4,266 | 4,226 | 1.0% | 4,266 | 4,396 | (3.0)% |
| hereof corporate % | 32.8% | 35.3% | (2.4) PP | 32.8% | 34.1% | (1.3) PP |
| hereof retail % | 64.3% | 61.9% | 2.3 PP | 64.3% | 62.7% | 1.5 PP |
| hereof foreign currency % | 54.3% | 51.8% | 2.4 PP | 54.3% | 52.5% | 1.7 PP |
| Deposits from customers | 4,344 | 3,781 | 14.9% | 4,344 | 4,144 | 4.8% |
| Loan/deposit ratio | 98.2% | 111.8% | (13.6) PP | 98.2% | 106.1% | (7.9) PP |
| | | | | | | |
| Equity | 674 | 595 | 13.3% | 674 | 654 | 3.2% |
| Return on equity before tax | 19.2% | 20.5% | (1.3) PP | 15.8% | 20.5% | (4.7) PP |
| Return on equity after tax | 18.4% | 17.5% | 0.9 PP | 13.4% | 17.3% | (3.9) PP |
| Cost/income ratio | 58.2% | 57.6% | 0.6 PP | 58.0% | 56.8% | 1.2 PP |
| Net interest margin (average interest-bearing assets) | 4.61% | 5.08% | (0.47) PP | 4.47% | 4.65% | (0.17) PP |
| | | | | | | |
| Employees as of reporting date | 5,308 | 5,486 | (3.2)% | 5,308 | 5,383 | (1.4)% |
| Business outlets | 530 | 527 | 0.6% | 530 | 529 | 0.2% |
| Customers | 2,077,912 | 1,974,315 | 5.2% | 2,077,912 | 2,009,889 | 3.4% |

## Serbia

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 110 | 91 | 21.9% | 27 | 28 | (3.4)% |
| Net fee and commission income | 36 | 35 | 1.4% | 9 | 9 | (2.4)% |
| Net trading income | 3 | 1 | 393.0% | 1 | 1 | (27.1)% |
| Other net operating income | 1 | 5 | (73.3)% | (1) | (1) | 2.1% |
| **Operating income** | **150** | **132** | **14.3%** | **36** | **37** | **(3.9)%** |
| General administrative expenses | (75) | (78) | (4.1)% | (19) | (19) | 1.0% |
| **Operating result** | **75** | **53** | **41.4%** | **17** | **19** | **(8.8)%** |
| Net provisioning for impairment losses | (23) | (15) | 47.7% | (8) | (5) | 66.5% |
| Other results | 1 | 13 | (93.9)% | 0 | (1) | (99.3)% |
| **Profit before tax** | **54** | **51** | **5.5%** | **9** | **13** | **(32.4)%** |
| Income taxes | (7) | (4) | 106.0% | (1) | (2) | (22.9)% |
| **Profit after tax** | **46** | **47** | **(2.3)%** | **7** | **11** | **(34.1)%** |
| | | | | | | |
| Assets | 1,875 | 1,883 | (0.4)% | 1,875 | 1,862 | 0.7% |
| Loans and advances to customers | 1,105 | 1,204 | (8.2)% | 1,105 | 1,167 | (5.3)% |
| hereof corporate % | 47.9% | 53.1% | (5.2) PP | 47.9% | 49.3% | (1.4) PP |
| hereof retail % | 49.9% | 44.4% | 5.5 PP | 49.9% | 48.1% | 1.8 PP |
| hereof foreign currency % | 69.8% | 66.6% | 3.2 PP | 69.8% | 67.0% | 2.8 PP |
| Deposits from customers | 1,119 | 1,139 | (1.8)% | 1,119 | 1,119 | 0.0% |
| Loan/deposit ratio | 98.8% | 105.7% | (7.0) PP | 98.8% | 104.3% | (5.6) PP |
| | | | | | | |
| Equity | 498 | 496 | 0.4% | 498 | 491 | 1.4% |
| Return on equity before tax | 11.9% | 10.8% | 1.1 PP | 7.5% | 10.6% | (3.1) PP |
| Return on equity after tax | 10.2% | 10.0% | 0.2 PP | 6.2% | 9.0% | (2.8) PP |
| Cost/income ratio | 49.9% | 59.5% | (9.6) PP | 52.7% | 50.1% | 2.6 PP |
| Net interest margin (average interest-bearing assets) | 6.23% | 4.77% | 1.46 PP | 6.26% | 6.33% | (0.07) PP |
| | | | | | | |
| Employees as of reporting date | 1,602 | 1,769 | (9.4)% | 1,602 | 1,666 | (3.8)% |
| Business outlets | 85 | 85 | 0.0% | 85 | 84 | 1.2% |
| Customers | 604,122 | 550,790 | 9.7% | 604,122 | 586,174 | 3.1% |

# Russia

In Russia, profit before tax was up 3 per cent to € 615 million year-on-year, due to an increased operating result. Net income from financial investments based on the sale of participations partly offset the rise in net provisioning for impairment losses. Return on equity before tax fell 0.5 percentage points to 38.7 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income | 1,186 | 1,098 | 8.0% | 292 | 318 | (8.2)% |
| General administrative expenses | (552) | (511) | 8.1% | (161) | (127) | 26.5% |
| **Operating result** | **634** | **587** | **7.9%** | **132** | **191** | **(31.2)%** |
| Net provisioning for impairment losses | (48) | 16 | – | (29) | (27) | 7.8% |
| Other results | 29 | (5) | – | 5 | (3) | – |
| **Profit before tax** | **615** | **599** | **2.7%** | **108** | **162** | **(33.1)%** |
| Assets | 15,555 | 15,635 | (0.5)% | 15,555 | 15,796 | (1.5)% |
| Net interest margin (average interest-bearing assets) | 4.80% | 5.29% | (0.49) PP | 4.79% | 4.64% | 0.15 PP |
| **Return on equity before tax** | **38.7%** | **39.2%** | **(0.5) PP** | **27.0%** | **39.7%** | **(12.7) PP** |

## Operating income

Net interest income in Russia declined 4 per cent, or € 26 million, year-on-year to € 722 million. Interest income from derivative financial instruments used for foreign currency denominated loan exposure hedges decreased € 108 million as a result of the reclassification of the interest portion in new business to the trading book. Increased expenses for customer deposits also had a negative effect. In contrast, interest income from loans rose as a result of higher volumes in new business. The segment's net interest margin fell 49 basis points to 4.80 per cent year-on-year, mainly due to lower income from derivative financial instruments. Total assets remained relatively stable year-on-year at € 15.6 billion. Despite increased lending in the retail business (credit cards and consumer loans), credit risk-weighted assets fell 10 per cent to € 9.2 billion as a consequence of a sharp drop in lending in non-retail business. The retail business share of the total lending volume rose considerably from 36 to 44 per cent.

Net fee and commission income rose 8 per cent, or € 23 million, year-on-year to € 308 million. Income from loan and guarantee business increased € 17 million to € 93 million, due mainly to higher volumes in new retail business. Income from payment transfer business was up € 12 million to € 113 million, driven primarily by volume-related higher revenues in the credit card business. In contrast, net income from the sale of own and third party products declined € 4 million, as did net income from the management of investment and pension funds.

Net trading income amounted to € 156 million (up € 86 million), which was well above the comparable prior year figure. Net income from currency-based transactions markedly increased € 90 million to € 147 million as a result of higher gains from foreign currency derivatives carried out for hedging purposes. By contrast, net income from interest-based transactions was down € 4 million to € 9 million as a result of valuation losses. The main reason for the rise in currency-based transactions was a reclassification of the interest portion of foreign currency derivatives from net interest income to net trading income.

The segment's other net operating income improved € 5 million to break-even. In the previous year, the disposal of assets led to a negative result.

## General administrative expenses

The segment's general administrative expenses increased 8 per cent, or € 42 million, to € 552 million. This was mainly attributable to a rise in staff expenses (up € 16 million) as a result of salary increases at year-end 2012. Other administrative expenses increased € 14 million due to higher advertising and IT expenses. However, savings were achieved in communications, legal, advisory, and consulting expenses. Depreciation expenses were up € 12 million, attributable to impairments in respect of branch buildings. The number of business outlets rose by 9 to 195 year-on-year. The cost/income ratio increased 0.1 percentage points to 46.6 per cent.

## Net provisioning for impairment losses

In the reporting year, net provisioning for impairment losses in Russia totaled € 48 million, which compared to a net release of € 16 million in the previous year. The increase was, first and foremostly, due to higher net allocations to individual loan loss provisions for major customers and non-performing loans to retail customers. A net release of € 13 million was posted in portfolio-based loan loss provisions; however, it was € 3 million below the comparable figure in the previous year. The decline was mainly due to the introduction of a new rating model for major customers. The share of non-performing loans in the credit portfolio fell 0.2 percentage points to 4.8 per cent year-on-year. The NPL coverage ratio fell to 77.8 per cent (2012: 100.0 per cent) as a result of sales and the writing off of impaired loans and releases of portfolio-based loan loss provisions.

## Other results and taxes

Other results in the Russia segment improved from minus € 5 million in the previous year to plus € 29 million in the reporting year. Net income from derivative financial instruments increased € 13 million to € 4 million, as a result of the improved valuation of interest rate swaps carried out to mitigate interest rate structure risk. Net income from financial investments increased € 20 million to € 25 million. It included net proceeds of € 24 million from the sale of VISA shares. The valuation results and net proceeds from the sale of securities in the fair value portfolio fell € 4 million year-on-year.

The segment's income taxes rose 16 per cent to € 146 million, as a result of higher non-deductible expenses, while the tax rate increased 3 percentage points to 24 per cent.

## Russia

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

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 722 | 749 | (3.5)% | 181 | 176 | 2.7% |
| Net fee and commission income | 308 | 285 | 8.2% | 77 | 76 | 1.8% |
| Net trading income | 156 | 69 | 124.7% | 34 | 66 | (48.1)% |
| Other net operating income | 0 | (5) | (93.1)% | 0 | 0 | 96.6% |
| **Operating income** | **1,186** | **1,098** | **8.0%** | **292** | **318** | **(8.2)%** |
| General administrative expenses | (552) | (511) | 8.1% | (161) | (127) | 26.5% |
| **Operating result** | **634** | **587** | **7.9%** | **132** | **191** | **(31.2)%** |
| Net provisioning for impairment losses | (48) | 16 | – | (29) | (27) | 7.8% |
| Other results | 29 | (5) | – | 5 | (3) | – |
| **Profit before tax** | **615** | **599** | **2.7%** | **108** | **162** | **(33.1)%** |
| Income taxes | (146) | (126) | 16.2% | (22) | (37) | (41.2)% |
| **Profit after tax** | **469** | **473** | **(0.9)%** | **87** | **125** | **(30.8)%** |
| | | | | | | |
| Assets | 15,555 | 15,635 | (0.5)% | 15,555 | 15,796 | (1.5)% |
| Loans and advances to customers | 9,967 | 9,669 | 3.1% | 9,967 | 10,173 | (2.0)% |
| hereof corporate % | 55.6% | 64.1% | (8.5) PP | 55.6% | 57.0% | (1.5) PP |
| hereof retail % | 44.4% | 35.9% | 8.5 PP | 44.4% | 43.0% | 1.5 PP |
| hereof foreign currency % | 33.5% | 44.2% | (10.7) PP | 33.5% | 34.3% | (0.9) PP |
| Deposits from customers | 9,924 | 9,609 | 3.3% | 9,924 | 10,329 | (3.9)% |
| Loan/deposit ratio | 100.4% | 100.6% | (0.2) PP | 100.4% | 98.5% | 1.9 PP |
| | | | | | | |
| Equity | 2,360 | 2,460 | (4.1)% | 2,360 | 2,351 | 0.4% |
| Return on equity before tax | 31.7% | 31.9% | (0.2) PP | 22.4% | 32.3% | (9.9) PP |
| Return on equity after tax | 24.2% | 25.2% | (1.1) PP | 18.0% | 25.0% | (7.0) PP |
| Cost/income ratio | 46.6% | 46.5% | 0.0 PP | 55.0% | 39.9% | 15.1 PP |
| Net interest margin (average interest-bearing assets) | 4.80% | 5.29% | (0.48) PP | 4.79% | 4.64% | 0.15 PP |
| | | | | | | |
| Employees as of reporting date | 8,542 | 8,155 | 4.7% | 8,542 | 8,572 | (0.3)% |
| Business outlets | 195 | 186 | 4.8% | 195 | 192 | 1.6% |
| Customers | 2,617,291 | 2,288,175 | 14.4% | 2,617,291 | 2,523,700 | 3.7% |

# CIS Other

In the CIS Other segment profit before tax doubled year-on-year to € 217 million mainly due to the significant increase in operating income in Belarus, as well as higher income from financial investments in Ukraine. The segment's return on equity before tax increased 12.4 percentage points to 26.1 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income | 638 | 602 | 6.0% | 171 | 175 | (2.1)% |
| General administrative expenses | (358) | (384) | (6.9)% | (89) | (89) | 0.8% |
| **Operating result** | **281** | **218** | **28.7%** | **82** | **86** | **(5.1)%** |
| Net provisioning for impairment losses | (108) | (89) | 21.3% | (14) | (37) | (63.4)% |
| Other results | 44 | (21) | – | 0 | 5 | (94.8)% |
| **Profit before tax** | **217** | **108** | **100.7%** | **68** | **54** | **26.4%** |
| Assets | 5,809 | 6,324 | (8.1)% | 5,809 | 5,981 | (2.9)% |
| Net interest margin (average interest-bearing assets) | 7.60% | 7.12% | 0.48 PP | 8.59% | 8.08% | 0.51 PP |
| **Return on equity before tax** | **26.1%** | **13.7%** | **12.4 PP** | **32.7%** | **25.5%** | **7.2 PP** |

## Operating income

The segment's net interest income increased 1 per cent, or € 5 million, to € 422 million. This was mainly attributable to the development in Belarus, where higher lending volumes and margins led to a 36 per cent increase in net interest income to € 88 million. In Ukraine, in contrast, net interest income fell 5 per cent to € 332 million due to lower lending volumes and declining interest income from securities. The segment's net interest margin improved 48 basis points to 7.60 per cent. The segment's total assets decreased 8 per cent year-on-year to € 5.8 billion. Credit risk-weighted assets declined 2 per cent to € 5.0 billion due to the discontinuation of largely impaired loans.

The segment's net fee and commission income increased 1 per cent year-on-year to € 210 million, with net income from the payment transfer business, which increased 3 per cent to € 158 million, still representing the largest contribution. The increase was achieved mainly as a result of a higher number of transactions in Belarus. Net income from the foreign currency, notes/coins and precious-metals business developed conversely, declining 10 per cent to € 37 million, predominantly due to lower transaction volumes in Ukraine. The sale of own and third party products generated net income growth of € 2 million, mainly in Ukraine, while net income from other banking services declined to the same extent.

Net trading income improved year-on-year from minus € 19 million to plus € 12 million. Net income from currency-based transactions benefited from significantly lower valuation losses on a strategic currency position in Belarus, held to hedge equity, and from positive effects from foreign currency positions in Ukraine. Additionally, valuation gains from bonds in Ukraine led to an increase of € 2 million in net income from interest-based transactions. As in the previous year, the application of hyperinflation accounting in Belarus had an almost unchanged strain of € 22 million on net trading income.

Other net operating income in the segment reported a slight year-on-year decline of € 1 million to minus € 6 million, the bulk of which was due to non-income-related taxes.

## General administrative expenses

General administrative expenses declined 7 per cent year-on-year to € 358 million. Cost savings were achieved in Ukraine due to a slight depreciation of the US dollar and the Ukrainian hryvna. Staff expenses fell € 6 million to € 148 million as a result of staff reductions. Other administrative expenses declined € 3 million to € 89 million and involved almost all expenses categories. The biggest decrease of € 23 million related to depreciation of intangible and tangible fixed assets, and was mainly the result of higher depreciation charges on software in Ukraine in the previous year. In Belarus, in contrast, general administrative expenses increased € 7 million to € 74 million due to higher inflation-index-based staff expenses, as well as salary increases agreed in the previous year. The cost/income ratio improved 7.7 percentage points to 56.0 per cent.

## Net provisioning for impairment losses

The region's net provisioning for impairment losses rose 21 per cent, or € 19 million, to € 108 million year-on-year, with net allocations to individual loan loss provisions increasing € 10 million to € 120 million. Portfolio-based loan loss provisions reported a net release at € 11 million, albeit € 9 million lower than in the previous year. At € 121 million, the overall impairment requirement in Ukraine was € 14 million higher than in 2012. This was mainly due to the lower valuation of retail customers' collateral. In Belarus, in contrast, net releases declined to € 13 million (2012: € 18 million). This was mainly due to portfolio-based loan loss provisions, due to lower default rates.

The share of non-performing loans in the segment's total loan portfolio fell 3.8 percentage points. This development was supported by the writing off of foreign currency loans in the Ukranian retail customer business. At 24.4 per cent it was still high compared to the other segments, whereby at 0.6 per cent the NPL ratio in Belarus was the lowest in the Group. The NPL coverage ratio improved 2 percentage points to 72.2 per cent.

## Other results and taxes

Other results improved year-on-year from minus € 21 million to plus € 44 million. This was mainly due to net income from financial investments. A narrowing of the yield spreads of the portfolio of fixed-income Ukrainian government bonds carried at market values led to valuation gains of € 23 million after valuation losses of € 21 million in the previous year. In addition, the sale of VISA and MasterCard shares in Ukraine resulted in a profit of € 20 million in the reporting period.

The segment's income taxes remained, despite a doubling of net income, unchanged at € 47 million, and the tax rate was halved to 22 per cent. This was essentially due to lower statutory income tax rates in Ukraine and Belarus, as well as a lower tax rate on income from securities in Ukraine.

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

## Belarus

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 88 | 65 | 35.9% | 23 | 23 | 1.7% |
| Net fee and commission income | 62 | 60 | 4.0% | 15 | 16 | (2.1)% |
| Net trading income | (1) | (26) | (97.4)% | 0 | 4 | (97.1)% |
| Other net operating income | (1) | (3) | (74.5)% | 0 | 0 | – |
| **Operating income** | **149** | **95** | **56.4%** | **39** | **43** | **(8.2)%** |
| General administrative expenses | (74) | (67) | 9.8% | (19) | (18) | 7.2% |
| **Operating result** | **75** | **28** | **169.9%** | **20** | **25** | **(19.5)%** |
| Net provisioning for impairment losses | 13 | 18 | (30.8)% | 13 | 0 | – |
| Other results | 0 | 0 | – | 0 | 0 | – |
| **Profit before tax** | **87** | **46** | **89.8%** | **33** | **24** | **36.7%** |
| Income taxes | (20) | (20) | 0.5% | (9) | (5) | 59.8% |
| **Profit after tax** | **67** | **26** | **159.7%** | **24** | **19** | **30.0%** |
| | | | | | | |
| Assets | 1,446 | 1,355 | 6.8% | 1,446 | 1,450 | (0.3)% |
| Loans and advances to customers | 910 | 869 | 4.8% | 910 | 1,013 | (10.1)% |
| hereof corporate % | 72.3% | 73.8% | (1.5) PP | 72.3% | 73.9% | (1.7) PP |
| hereof retail % | 27.7% | 26.2% | 1.5 PP | 27.7% | 26.1% | 1.7 PP |
| hereof foreign currency % | 72.4% | 70.9% | 1.5 PP | 72.4% | 70.6% | 1.8 PP |
| Deposits from customers | 842 | 872 | (3.4)% | 842 | 857 | (1.7)% |
| Loan/deposit ratio | 108.1% | 99.6% | 8.5 PP | 108.1% | 118.2% | (10.1) PP |
| | | | | | | |
| Equity | 270 | 213 | 26.6% | 270 | 246 | 9.6% |
| Return on equity before tax | 44.7% | 25.8% | 19.0 PP | 64.7% | 46.3% | 18.3 PP |
| Return on equity after tax | 34.3% | 14.4% | 19.9 PP | 47.6% | 35.9% | 11.7 PP |
| Cost/income ratio | 49.8% | 70.9% | (21.1) PP | 49.5% | 42.4% | 7.1 PP |
| Net interest margin (average interest-bearing assets) | 6.68% | 5.46% | 1.21 PP | 7.00% | 6.84% | 0.16 PP |
| | | | | | | |
| Employees as of reporting date | 2,216 | 2,190 | 1.2% | 2,216 | 2,228 | (0.5)% |
| Business outlets | 100 | 100 | 0.0% | 100 | 100 | 0.0% |
| Customers | 719,919 | 691,925 | 4.0% | 719,919 | 707,229 | 1.8% |

## Ukraine

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Net interest income | 332 | 350 | (5.2)% | 91 | 89 | 1.9% |
| Net fee and commission income | 148 | 150 | (1.1)% | 39 | 39 | 0.0% |
| Net trading income | 12 | 7 | 83.6% | 3 | 4 | (19.4)% |
| Other net operating income | (5) | (2) | 157.0% | (2) | (1) | 66.6% |
| **Operating income** | **487** | **505** | **(3.5)%** | **132** | **131** | **0.1%** |
| General administrative expenses | (283) | (316) | (10.4)% | (70) | (70) | (0.9)% |
| **Operating result** | **204** | **189** | **8.2%** | **62** | **61** | **1.1%** |
| Net provisioning for impairment losses | (121) | (107) | 13.5% | (27) | (36) | (26.7)% |
| Other results | 44 | (22) | – | 0 | 5 | (99.3)% |
| **Profit before tax** | **127** | **60** | **109.7%** | **35** | **30** | **18.0%** |
| Income taxes | (26) | (27) | (3.4)% | (7) | (7) | (3.4)% |
| **Profit after tax** | **101** | **33** | **201.0%** | **29** | **23** | **24.3%** |
| | | | | | | |
| Assets | 4,327 | 4,922 | (12.1)% | 4,327 | 4,495 | (3.7)% |
| Loans and advances to customers | 3,599 | 3,715 | (3.1)% | 3,599 | 3,619 | (0.6)% |
| hereof corporate % | 56.6% | 52.0% | 4.6 PP | 56.6% | 54.0% | 2.6 PP |
| hereof retail % | 43.4% | 48.0% | (4.6) PP | 43.4% | 46.0% | (2.6) PP |
| hereof foreign currency % | 46.9% | 51.6% | (4.7) PP | 46.9% | 48.0% | (1.1) PP |
| Deposits from customers | 2,433 | 2,646 | (8.0)% | 2,433 | 2,652 | (8.3)% |
| Loan/deposit ratio | 147.9% | 140.4% | 7.5 PP | 147.9% | 136.5% | 11.4 PP |
| | | | | | | |
| Equity | 878 | 834 | 5.3% | 878 | 867 | 1.3% |
| Return on equity before tax | 16.1% | 7.5% | 8.6 PP | 17.9% | 14.7% | 3.2 PP |
| Return on equity after tax | 12.8% | 4.1% | 8.6 PP | 14.6% | 11.4% | 3.2 PP |
| Cost/income ratio | 58.1% | 62.6% | (4.5) PP | 53.0% | 53.5% | (0.5) PP |
| Net interest margin (average interest-bearing assets) | 7.92% | 7.58% | 0.34 PP | 9.15% | 8.53% | 0.62 PP |
| | | | | | | |
| Employees as of reporting date | 13,053 | 13,849 | (5.7)% | 13,053 | 13,324 | (2.0)% |
| Business outlets | 798 | 825 | (3.3)% | 798 | 818 | (2.4)% |
| Customers | 3,062,204 | 3,029,424 | 1.1% | 3,062,204 | 3,084,830 | (0.7)% |

# Group Corporates

Profit before tax in the Group Corporates segment decreased 46 per cent year-on-year to € 174 million. This was primarily due to the higher net provisioning for impairment losses on loans and advances to large corporate customers. The return on equity before tax declined 8.4 percentage points to 9.6 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income | 622 | 595 | 4.5% | 153 | 152 | 0.4% |
| General administrative expenses | (191) | (177) | 7.8% | (49) | (46) | 5.1% |
| **Operating result** | **431** | **418** | **3.1%** | **104** | **106** | **(1.6)%** |
| Net provisioning for impairment losses | (258) | (113) | 128.2% | (50) | (105) | (51.9)% |
| Other results | 1 | 14 | (92.5)% | 3 | (2) | – |
| **Profit/loss before tax** | **174** | **319** | **(45.5)%** | **57** | **(1)** | **–** |
| Assets | 20,812 | 18,997 | 9.6% | 20,812 | 21,667 | (3.9)% |
| Net interest margin (average interest-bearing assets) | 2.34% | 1.93% | 0.40 PP | 2.34% | 2.25% | 0.09 PP |
| **Return on equity before tax** | **9.6%** | **18.0%** | **(8.4) PP** | **12.6%** | **–** | **–** |

## Operating income

The segment's net interest income increased 18 per cent year-on-year to € 478 million. A further increase in asset margins, as well as in the lending volume in the Corporate Customers profit center of Group head office (Austrian and multinational corporate clients serviced from Vienna) contributed to an improvement of 16 per cent in net interest income to € 193 million. In the Network Corporate Customers & Support profit center (predominantly international corporate customers with a CEE relationship) net interest income also increased 5 per cent to € 80 million. In Asia higher interest income from loans and advances to customers led to an increase in net interest income. The segment's net interest margin rose 40 basis points to 2.34 per cent. The segment's total assets increased 10 per cent year-on-year to € 20.8 billion due to an increased volume of lending to Western European corporate customers. The acquisition of a loan portfolio from Österreichische Volksbanken-AG accounted for around € 0.7 billion of this. Credit risk-weighted assets, in contrast, decreased 2 per cent to € 12.9 billion due to rating changes.

Net fee and commission income declined € 3 million year-on-year to € 159 million. While net fee and commission income declined in business outlets in Asia, Group head office reported an increase based on higher net fee and commission income from bond issues by Austrian, and by Western and Eastern European corporate customers, as well as on the lending and project-financing business.

The segment's net trading income declined from plus € 16 million in the previous year to minus € 16 million in the reporting period. This was mainly attributable to the valuation loss from a swap transaction in Group head office in the fourth quarter. In addition, a decline in net income from derivatives was reported within interest rate and currency hedges following weaker demand, as well as reduced income from structured investment and finance products due to lower margins and spreads.

The segment's other net operating income fell € 11 million and was thus balanced. The main reason for this was improved net income in the previous year due to the release of provisions in connection with a legal dispute at the Group unit in Malta.

## General administrative expenses

The segment's general administrative expenses increased € 14 million, or 8 per cent, year-on-year to € 191 million – predominantly as a result of higher overhead costs that were allocated to the segment. The segment consisted of 9 business outlets at the end of the reporting period. The cost/income ratio rose 0.9 percentage points to 30.7 per cent.

## Net provisioning for impairment losses

Net provisioning for impairment losses increased € 145 million year-on-year to € 258 million. This increase was primarily the result of high individual loan loss provisioning. Individual loans to large corporate customers in Group head office, and in Asia, led to higher risk costs. The share of non-performing loans in the segment's loan portfolio rose 1.9 percentage points to 6.7 per cent.

## Other results and taxes

The segment's other results decreased year-on-year from € 14 million to € 1 million. This decline was primarily due to a € 14 million lower valuation result of securities. In the previous year a positive result of € 15 million was reported due to a one-off effect resulting from the sale of shares.

In line with the decline in profits, income taxes halved year-on-year to € 36 million, and the tax rate declined 1 percentage point to 21 per cent.

# Group Markets

Profit before tax in the Group Markets segment fell 52 per cent year-on-year to € 125 million. The main reason for the decline was lower net income from financial investments due to a positive one-off effect in the previous year. The segment's return on equity before tax thus decreased 5.7 percentage points to 18.9 per cent.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income[1] | 375 | 356 | 5.3% | 94 | 88 | 6.5% |
| General administrative expenses | (253) | (256) | (1.4)% | (60) | (65) | (6.8)% |
| **Operating result** | **123** | **100** | **22.5%** | **34** | **24** | **42.6%** |
| Net provisioning for impairment losses | (15) | (18) | (13.3)% | (22) | 5 | – |
| Other results[2] | 18 | 176 | (89.7)% | 6 | 5 | 7.7% |
| **Profit before tax** | **125** | **258** | **(51.5)%** | **17** | **34** | **(48.6)%** |
| Assets | 20,271 | 20,243 | 0.1% | 20,271 | 20,778 | (2.4)% |
| Net interest margin (average interest-bearing assets) | 0.74% | 0.85% | (0.11) PP | 0.95% | 0.94% | 0.01 PP |
| **Return on equity before tax** | **18.9%** | **24.6%** | **(5.7) PP** | **10.6%** | **20.8%** | **(10.2) PP** |

1 Operating income excl. impairment on goodwill and bank levies.
2 Other results incl. impairment on goodwill and bank levies.

## Operating income

The segment's net interest income fell 7 per cent year-on-year to € 148 million. In the second half of the year, the bank started with the set-up of a high-quality securities portfolio. As a result of the year-on-year decline in holdings of securities, the net interest margin decreased 11 basis points to 0.74 per cent. In contrast, the segment's total assets remained relatively constant at € 20.3 billion. Credit risk-weighted assets increased 18 per cent to € 3.9 billion, mainly due to the renewed increase in securities exposures.

In contrast, net fee and commission income was up 15 per cent to € 121 million year-on-year. In particular, the Financial Institutions profit center – benefiting from the improved situation in the financial markets – significantly raised income from cash management, custody and fund services. Whereas, income generated from the securities business in the private banking and asset management business declined.

The segment's net trading income increased 7 per cent to € 84 million. This was mainly the result of volume-related higher interest income and valuation results from fixed income securities.

Other net operating income, consisting of diverse smaller expenses and income items, improved 59 per cent to € 22 million.

## General administrative expenses

General administrative expenses of the Group Markets segment fell 1 per cent to € 253 million year-on-year. One reason was the declining business volume which led to lower cost allocation at Group head office to this segment. The cost/income ratio improved 4.6 percentage points to 67.3 per cent.

## Net provisioning for impairment losses

Net provisioning for impairment losses was € 2 million lower than in the previous year at € 15 million and related above all to the Financial Institutions & Sovereigns profit center at Group head office. Non-performing loans accounted for 1.7 per cent of the segment's total credit exposure.

## Other results and taxes

The segment's other results fell from € 176 million to € 18 million year-on-year. The main reason for the decline was a one-off effect in net income from financial investments. In the previous year, the high-quality securities portfolio at Group head office was sold and further securities portfolios were reduced. Net income from derivatives, on the other hand, improved due to valuation results at Group head office.

The segment's income taxes declined from € 68 million to € 23 million as a result of the aforementioned sale of securities in the previous year, while the tax rate dropped 8 percentage points to 19 per cent.

# Corporate Center

The Corporate Center segment's loss before tax, for the reporting period, reduced two-thirds to € 130 million. This was possible due to significantly improved net interest and dividend income, despite high valuation losses from derivatives.

| in € million | 2013 | 2012 | Change | Q4/2013 | Q3/2013 | Change |
|---|---|---|---|---|---|---|
| Operating income[1] | 774 | 569 | 35.9% | 48 | 135 | (64.4)% |
| General administrative expenses | (329) | (328) | 0.3% | (87) | (87) | 0.1% |
| **Operating result** | **445** | **241** | **84.5%** | **(39)** | **48** | **–** |
| Net provisioning for impairment losses | 6 | (1) | – | 11 | (6) | – |
| Other results[2] | (580) | (640) | (9.4)% | (199) | (121) | 64.4% |
| **Profit/loss before tax** | **(130)** | **(399)** | **(67.6)%** | **(227)** | **(79)** | **186.7%** |
| Assets | 34,716 | 47,341 | (26.7)% | 34,716 | 34,496 | 0.6% |
| Net interest margin (average interest-bearing assets) | – | – | – | – | – | – |
| **Return on equity before tax** | **–** | **–** | **–** | **–** | **–** | **–** |

1 Operating income excl. impairment on goodwill and bank levies.
2 Other results incl. impairment on goodwill and bank levies.

## Operating income

The segment's net interest income increased 33 per cent to € 665 million year-on-year. The improvement was mainly due to higher intra-Group dividend income. Higher income from optimized liquidity management and lower refinancing costs also had a positive impact on net interest income. In contrast, interest expenses for the subordinated capital of RBI AG was higher, at € 60 million (2012: € 38 million), owing to higher spreads for new issues. The segment's total assets declined 27 per cent to € 34.7 billion compared to the same period last year, due especially to the optimization of the liquidity position. Credit risk-weighted assets contracted 18 per cent to € 15.6 billion.

Net fee and commission income improved 4 per cent to minus € 40 million year-on-year, and was primarily possible due to higher fee and commission income from intra-Group securitization transactions and the acceptance of guarantees.

The segment's net trading income increased € 46 million to € 10 million year-on-year. This was mainly due to significantly lower valuation losses on various foreign currencies and interest rate-based instruments held for management purposes.

Other net operating income declined € 7 million to € 139 million. This was mainly the result of a bad debt loss from the commodity trading activities of F. J. Elsner Trading GmbH.

## General administrative expenses

General administrative expenses totaled € 329 million and thus remained on the previous year's level.

## 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. Special Customers business recorded a net release of € 6 million in the reporting year.

## Other results and taxes

Other results improved € 60 million to minus € 580 million year-on-year. Although net income from financial investments contained therein remained strongly negative, at minus € 213 million, it improved year-on-year due to lower impairments on intra-Group participations. Valuation result on securities held-to-maturity declined € 32 million to minus € 106 million.

Net income from derivatives decreased € 132 million to minus € 265 million. On the one hand, the decline in net income was due to valuation losses on other derivatives; on the other, the partial repurchase of hybrid bonds resulted in a gain (€ 113 million) in the same period in the previous year. This contrasted with an improvement in net income from liabilities designated at fair value, with increases in interest rates leading to a positive valuation result on own issues. In addition, the credit spread resulted in a lesser negative effect on valuation (minus € 126 million) compared to the same period in the previous year (minus € 145 million).

The Austrian bank levy had a negative impact of € 103 million on net income, unchanged from the previous year. This was due to the fact that RBI AG's 2010 total assets had to be used for the calculation.

Tax income of € 108 million (2012: € 132 million) was recorded in the reporting year. This was, on the one hand, the result of the € 45 million in tax allocation received by RZB AG, and, on the other, the result of the deferred tax on valuation result related to liabilities measured at fair value.

# Consolidated financial statements

# Statement of comprehensive income

## Income statement

| € 000 | Notes | 2013 | 2012 | Change |
|---|---|---|---|---|
| Interest income | | 6,083,730 | 6,478,884 | (6.1)% |
| Current income from associates | | 122 | 50 | 141.7% |
| Interest expenses | | (2,354,913) | (3,006,780) | (21.7)% |
| **Net interest income** | **[2]** | **3,728,939** | **3,472,155** | **7.4%** |
| Net provisioning for impairment losses | [3] | (1,149,215) | (1,008,823) | 13.9% |
| **Net interest income after provisioning** | | **2,579,724** | **2,463,332** | **4.7%** |
| Fee and commission income | | 2,012,514 | 1,869,194 | 7.7% |
| Fee and commission expense | | (386,346) | (352,795) | 9.5% |
| **Net fee and commission income** | **[4]** | **1,626,167** | **1,516,399** | **7.2%** |
| Net trading income | [5] | 321,071 | 214,686 | 49.6% |
| Net income from derivatives and liabilities | [6] | (256,662) | (127,462) | 101.4% |
| Net income from financial investments | [7] | 57,743 | 318,410 | (81.9)% |
| General administrative expenses[1] | [8] | (3,339,506) | (3,258,103) | 2.5% |
| Other net operating income | [9] | (147,415) | (102,035) | 44.5% |
| Net income from disposal of group assets | [10] | (6,465) | 12,137 | – |
| **Profit before tax** | | **834,657** | **1,037,363** | **(19.5)%** |
| Income taxes[1] | [11] | (231,711) | (285,370) | (18.8)% |
| **Profit after tax** | | **602,946** | **751,993** | **(19.8)%** |
| Profit attributable to non-controlling interests | | (45,611) | (22,301) | 104.5% |
| **Consolidated profit** | | **557,336** | **729,692** | **(23.6)%** |

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

## Earnings per share

| in € | Notes | 2013 | 2012 | Change |
|---|---|---|---|---|
| Earnings per share[1] | [12] | 1.83 | 2.72 | (0.89) |

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

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 2013, the number of common shares outstanding was 194,948 thousand compared with 194,859 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.

# Other comprehensive income and total comprehensive income

| € 000 | Total 2013 | Total 2012 | Group equity 2013 | Group equity 2012 | Non-controlling interests 2013 | Non-controlling interests 2012 |
|---|---|---|---|---|---|---|
| **Profit after tax** | **602,946** | **751,993** | **557,336** | **729,692** | **45,611** | **22,301** |
| **Items which are not reclassified to profit and loss** | **2,862** | **(4,310)** | **2,862** | **(4,310)** | **0** | **0** |
| Remeasurements of defined benefit plans | 3,820 | (5,747) | 3,820 | (5,747) | 0 | 0 |
| Deferred taxes on items which are not reclassified to profit and loss | (958) | 1,437 | (958) | 1,437 | 0 | 0 |
| **Items that may be reclassified subsequently to profit or loss** | **(468,461)** | **90,626** | **(452,781)** | **69,361** | **(15,680)** | **21,265** |
| Exchange differences | (460,210) | 167,401 | (439,938) | 150,303 | (20,272) | 17,097 |
| hereof unrealized net gains (losses) of the period | (460,210) | 167,401 | (439,938) | 150,303 | (20,272) | 17,097 |
| hereof net gains (losses) reclassified to income statement | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital hedge | 4,656 | 225 | 4,656 | 225 | 0 | 0 |
| Hyperinflation | 31,158 | 33,995 | 27,338 | 29,827 | 3,820 | 4,168 |
| Net gains (losses) on derivatives hedging fluctuating cash flows | (16,364) | (1,245) | (16,364) | (1,245) | 0 | 0 |
| hereof unrealized net gains (losses) of the period | (16,364) | (1,245) | (16,364) | (1,245) | 0 | 0 |
| hereof net gains (losses) reclassified to income statement | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in equity of companies valued at equity | 224 | 5 | 224 | 5 | 0 | 0 |
| Net gains (losses) on financial assets available-for-sale | (34,552) | (147,375) | (35,324) | (147,375) | 772 | 0 |
| hereof unrealized net gains (losses) of the period | 7,943 | 15,670 | 6,429 | 15,670 | 1,514 | 0 |
| hereof net gains (losses) reclassified to income statement | (42,494) | (163,045) | (41,752) | (163,045) | (742) | 0 |
| Deferred taxes on income and expenses directly recognized in equity | 6,626 | 37,620 | 6,626 | 37,620 | 0 | 0 |
| hereof unrealized net gains (losses) of the period | 1,076 | (3,142) | 1,076 | (3,142) | 0 | 0 |
| hereof net gains (losses) reclassified to income statement | 5,550 | 40,761 | 5,550 | 40,761 | 0 | 0 |
| Sundry income and expenses directly recognized in equity | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other comprehensive income** | **(465,599)** | **86,316** | **(449,919)** | **65,051** | **(15,680)** | **21,265** |
| **Total comprehensive income** | **137,347** | **838,309** | **107,416** | **794,743** | **29,931** | **43,567** |

### Other comprehensive income

In the reporting year, IAS 19R was implemented which required retrospective application. The required re-evaluation of defined benefit plans resulted in other comprehensive income of € 3,820 thousand in the reporting year. Retrospectively, the previous year was adapted by minus € 5,747 thousand.

In 2013, exchange differences derived especially from changes of Russian rouble, Czech koruna and Ukrainian hryvnia to Euro.

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

In 2013, € 31,158 thousand (2012: € 33,995 thousand) was recognized directly in other comprehensive income through the application of IAS 29 (hyperinflation accounting) in Belarus.

Since the reporting year, cash flow hedging has been applied in two Group units to hedge the changes in interest rate risk.

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

The following components of retained earnings developed as follows:

| € 000 | Remeasure-ments reserves | Exchange differences | Capital hedge | Hyper-inflation | Cash flow hedge | Fair value reserve (afs financial assets) | Deferred taxes |
|---|---|---|---|---|---|---|---|
| **As of 1/1/2012** | **(513)** | **(1,458,574)** | **72,692** | **83,486** | **(57)** | **198,970** | **257,295** |
| Unrealized net gains (losses) of the period | (5,747) | 150,303 | 225 | 29,827 | (1,245) | 15,670 | (1,705) |
| Net gains (losses) reclassified to income statement | 0 | 0 | 0 | 0 | 0 | (163,045) | 40,761 |
| **As of 31/12/2012** | **(6,260)** | **(1,308,271)** | **72,917** | **113,314** | **(1,302)** | **51,595** | **296,352** |
| Unrealized net gains (losses) of the period | 3,820 | (439,938) | 4,656 | 27,338 | (16,364) | 6,429 | 118 |
| Net gains (losses) reclassified to income statement | 0 | 0 | 0 | 0 | 0 | (41,752) | 5,550 |
| **As of 31/12/2013** | **(2,440)** | **(1,748,209)** | **77,573** | **140,652** | **(17,666)** | **16,271** | **302,020** |

# Quarterly results

| € 000 | Q1/2013 | Q2/2013 | Q3/2013 | Q4/2013 |
|---|---|---|---|---|
| Net interest income | 864,737 | 971,526 | 940,159 | 952,517 |
| Net provisioning for impairment losses | (219,722) | (249,291) | (330,490) | (349,711) |
| **Net interest income after provisioning** | **645,015** | **722,234** | **609,669** | **602,806** |
| Net fee and commission income | 374,609 | 410,770 | 417,202 | 423,587 |
| Net trading income | 80,338 | 60,115 | 99,829 | 80,788 |
| Net income from derivatives and liabilities | (121,062) | (66,398) | (55,639) | (13,563) |
| Net income from financial investments | 87,272 | (23,268) | 9,154 | (15,416) |
| General administrative expenses | (787,928) | (828,941) | (812,848) | (909,789) |
| Other net operating income | (20,903) | (58,331) | (38,146) | (30,035) |
| Net income from disposal of group assets | (6,487) | 19 | 6 | (3) |
| **Profit before tax** | **250,854** | **216,201** | **229,227** | **138,375** |
| Income taxes | (76,883) | (78,839) | (79,938) | 3,949 |
| **Profit after tax** | **173,971** | **137,362** | **149,289** | **142,324** |
| Profit attributable to non-controlling interests | (17,267) | (17,426) | (14,871) | 3,953 |
| **Consolidated profit** | **156,704** | **119,936** | **134,418** | **146,277** |

| € 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 | (152,949) | (246,912) | (223,511) | (385,451) |
| **Net interest income after provisioning** | **722,349** | **639,420** | **610,780** | **490,783** |
| Net fee and commission income | 345,880 | 374,759 | 399,746 | 396,014 |
| Net trading income | 82,006 | 84,910 | 53,571 | (5,801) |
| Net income from derivatives and liabilities | 34,528 | (54,641) | (87,791) | (19,559) |
| Net income from financial investments | 261,391 | (8,117) | 45,957 | 19,180 |
| General administrative expenses[1] | (753,229) | (764,448) | (818,415) | (922,011) |
| 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 |
| **Profit before tax** | **684,908** | **242,551** | **187,840** | **(77,935)** |
| Income taxes[1] | (110,939) | (82,855) | (32,408) | (59,168) |
| **Profit after tax** | **573,969** | **159,696** | **155,431** | **(137,103)** |
| Profit attributable to non-controlling interests | (32,827) | 108 | (13,922) | 24,340 |
| **Consolidated profit** | **541,142** | **159,804** | **141,509** | **(112,763)** |

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

# Statement of financial position

| Assets<br>in € 000 | Notes | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|---|
| Cash reserve | [14, 35] | 6,674,226 | 6,556,723 | 1.8% |
| Loans and advances to banks | [15, 35, 53] | 22,243,221 | 22,323,301 | (0.4)% |
| Loans and advances to customers | [16, 35, 53] | 80,634,618 | 83,343,269 | (3.2)% |
| Impairment losses on loans and advances | [17, 35] | (5,605,475) | (5,641,897) | (0.6)% |
| Trading assets | [18, 35, 53] | 7,581,097 | 9,813,293 | (22.7)% |
| Derivatives | [19, 35, 53] | 982,052 | 1,405,088 | (30.1)% |
| Financial investments | [20, 35, 53] | 13,482,703 | 13,355,459 | 1.0% |
| Investments in associates | [21, 35, 53] | 5,035 | 4,935 | 2.0% |
| Intangible fixed assets | [22, 24, 35] | 1,248,709 | 1,321,011 | (5.5)% |
| Tangible fixed assets | [23, 24, 35] | 1,594,558 | 1,596,896 | (0.1)% |
| Other assets | [25, 35, 53] | 1,799,069 | 2,037,945 | (11.7)% |
| **Total assets** | | **130,639,813** | **136,116,023** | **(4.0)%** |

| Equity and liabilities<br>in € 000 | Notes | 31/12/2013 | 31/12/2012 | Change |
|---|---|---|---|---|
| Deposits from banks | [26, 35, 53] | 30,104,866 | 30,186,449 | (0.3)% |
| Deposits from customers | [27, 35, 53] | 66,436,636 | 66,297,151 | 0.2% |
| Debt securities issued | [28, 35, 53] | 11,532,646 | 13,290,102 | (13.2)% |
| Provisions for liabilities and charges | [29, 35, 53] | 733,116 | 720,996 | 1.7% |
| Trading liabilities | [30, 35, 53] | 5,203,894 | 8,824,242 | (41.0)% |
| Derivatives | [31, 35, 53] | 384,408 | 471,804 | (18.5)% |
| Other liabilities | [32, 35, 53] | 1,752,861 | 1,515,338 | 15.7% |
| Subordinated capital | [33, 35, 53] | 4,127,589 | 3,937,049 | 4.8% |
| Equity | [34, 35] | 10,363,798 | 10,872,893 | (4.7)% |
| Consolidated equity[1] | | 9,321,638 | 9,424,058 | (1.1)% |
| Consolidated profit[1] | | 557,336 | 729,692 | (23.6)% |
| Non-controlling interests | | 484,824 | 719,143 | (32.6)% |
| **Total equity and liabilities** | | **130,639,813** | **136,116,023** | **(4.0)%** |

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

# Statement of changes in equity

| € 000 | Subscribed capital | Participation capital/ Participation rights | Capital reserves | Retained earnings | Consolidated profit | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| **Equity as of 1/1/2012** | **593,412** | **2,500,000** | **2,570,778** | **3,161,038** | **967,663** | **1,142,894** | **10,935,786** |
| Effects of the retrospective application of IAS 19R | 0 | 0 | 0 | (513) | 513 | 0 | 0 |
| **Equity as of 1/1/2012** | **593,412** | **2,500,000** | **2,570,778** | **3,160,525** | **968,176** | **1,142,894** | **10,935,786** |
| Capital increases | 0 | 0 | 0 | 0 | 0 | 17,124 | 17,124 |
| Transferred to retained earnings | 0 | 0 | 0 | 563,887 | (563,887) | 0 | 0 |
| Dividend payments | 0 | 0 | 0 | 0 | (404,289) | (58,428) | (462,718) |
| Total comprehensive income[1] | 0 | 0 | 0 | 65,051 | 729,692 | 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) |
| **Equity as of 1/1/2013** | **594,591** | **2,500,000** | **2,574,025** | **3,755,442** | **729,692** | **719,143** | **10,872,893** |
| Capital increases | 0 | 0 | 0 | 0 | 0 | 9,358 | 9,358 |
| Transferred to retained earnings | 0 | 0 | 0 | 301,603 | (301,603) | 0 | 0 |
| Dividend payments | 0 | 0 | 0 | 0 | (428,089) | (56,455) | (484,543) |
| Total comprehensive income | 0 | 0 | 0 | (449,919) | 557,336 | 29,931 | 137,347 |
| Own shares/share incentive program | 0 | 0 | 1,057 | 0 | 0 | 0 | 1,057 |
| Other changes | 0 | 0 | 0 | 44,840 | 0 | (217,153) | (172,313) |
| **Equity as of 31/12/2013** | **594,591** | **2,500,000** | **2,575,162** | **3,651,885** | **557,336** | **484,824** | **10,363,798** |

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

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

Other changes in equity are mainly due to the purchase of a non-controlling interest of 25 per cent in Raiffeisenbank Austria d.d., Zagreb. In the previous year, other changes in equity resulted largely from 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 | 2013 | 2012 |
|---|---|---|
| **Profit after tax** | **602,946** | **751,993** |
| Non-cash positions in profit and transition to net cash from operating activities: | | |
| Write-downs/write-ups of tangible fixed assets and financial investments | 484,022 | 453,334 |
| Net provisioning for liabilities and charges and impairment losses | 1,449,536 | 1,111,417 |
| Gains (losses) from disposals of tangible fixed assets and financial investments | (38,015) | (13,667) |
| Other adjustments (net) | 418,604 | (538,545) |
| **Subtotal** | **2,917,094** | **1,764,532** |
| Changes in assets and liabilities arising from operating activities after corrections for non-cash positions: | | |
| Loans and advances to banks and customers | (422,067) | 6,756,715 |
| Trading assets/trading liabilities (net) | (1,638,922) | (219,196) |
| Other assets/other liabilities (net) | (1,073,170) | 913,512 |
| Deposits from banks and customers | 2,967,245 | (11,628,799) |
| Debt securities issued | (1,744,247) | (1,553,069) |
| **Net cash from operating activities** | **1,005,932** | **(3,966,306)** |
| Proceeds from sale of: | | |
| Financial investments | 1,990,337 | 2,346,923 |
| Tangible and intangible fixed assets | 64,193 | 88,240 |
| Proceeds from disposal of group assets | 7 | 0 |
| Payments for purchase of: | | |
| Financial investments | (1,729,381) | (1,537,465) |
| Tangible and intangible fixed assets | (450,457) | (531,140) |
| Payments for acquisition of subsidiaries | 0 | (818,540) |
| **Net cash from investing activities** | **(125,302)** | **(451,982)** |
| Capital increases | 9,358 | 17,124 |
| Inflows/outflows of subordinated capital | 102,913 | (30,476) |
| Dividend payments | (484,543) | (462,718) |
| Change in non-controlling interests | (160,627) | (348,184) |
| **Net cash from financing activities** | **(532,899)** | **(824,254)** |

| € 000 | 2013 | 2012 |
|---|---|---|
| **Cash and cash equivalents at the end of previous period** | **6,556,723** | **11,401,747** |
| Cash from the acquisition of subsidiaries | 0 | 339,640 |
| Net cash from operating activities | 1,005,932 | (3,966,306) |
| Net cash from investing activities | (125,302) | (451,982) |
| Net cash from financing activities | (532,899) | (824,254) |
| Effect of exchange rate changes | (230,228) | 57,878 |
| **Cash and cash equivalents at the end of period** | **6,674,226** | **6,556,723** |

| **Payments for taxes, interest and dividends** | 2013 | 2012 |
|---|---|---|
| Interest received | 6,443,169 | 6,827,115 |
| Dividends received | 5,292 | 5,942 |
| Interest paid | (2,249,357) | (3,019,206) |
| Income taxes paid | (110,723) | (115,775) |

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. In Slovakia, RBI is likewise active in its business divisions of Corporate and Retail Customers, including leasing, and in retail business with a multibrand strategy. In Slovenia, the Group provides universal banking services and also leasing, with Group units concentrating in particular on local corporate customers; a reduction of business volume is in progress. In the Czech Republic, RBI offers real estate leasing in addition to traditional banking services with corporate and retail customers. The focus is based on the extension of relations to first-class regular 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 with 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 upper class private individuals and small and medium-sized entities. RBI takes a strong position in the underwriting business. 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 named 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 and Malaysia 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. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, participation management, income from banking operations carried out by Group head office for refinancing Group units, the Austrian transaction and services business for financial services providers, as well as income from the holding and other companies outside the financial service provider business 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 (less bank levies and impairment of goodwill).

- **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 which is the proportion of loans and advances to customer to deposits from customers (each less claims and obligations from (reverse) repurchase agreements and securities lending). The share of the result derived from the core business is relevant as well. The net interest margin is calculated on average interest-bearing assets. 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, the net income from disposal of group assets, the bank levies and impairment of goodwill. 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 which are also used for the compilation of the consolidated financial statements. In some units profit center results are taken from the internal management income statement.

| Financial year 2013<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Corporates |
|---|---|---|---|---|---|
| Net interest income | 1,067,800 | 861,626 | 722,483 | 422,130 | 478,246 |
| Net fee and commission income | 546,169 | 348,047 | 308,458 | 210,208 | 159,366 |
| Net trading income | 28,304 | 52,877 | 155,728 | 11,724 | (16,345) |
| Other net operating income | 14,482 | 22,409 | (333) | (5,937) | 350 |
| **Operating income** | **1,656,754** | **1,284,959** | **1,186,336** | **638,124** | **621,616** |
| General administrative expenses | (1,098,363) | (698,235) | (552,475) | (357,619) | (190,937) |
| **Operating result** | **558,392** | **586,724** | **633,861** | **280,506** | **430,679** |
| Net provisioning for impairment losses | (403,173) | (325,856) | (48,093) | (107,605) | (257,999) |
| Other results | (89,941) | 16,341 | 29,012 | 43,972 | 1,082 |
| **Profit before tax** | **65,278** | **277,209** | **614,779** | **216,873** | **173,761** |
| Income taxes | (58,268) | (29,172) | (146,061) | (47,017) | (35,731) |
| **Profit after tax** | **7,009** | **248,037** | **468,718** | **169,856** | **138,030** |
| Profit attributable to non-controlling interests | (28,075) | (501) | (1,600) | (11,882) | (119) |
| **Profit/Loss after deduction of non-controlling interests** | **(21,065)** | **247,536** | **467,118** | **157,974** | **137,912** |
| | | | | | |
| Share of profit before tax | 4.9% | 20.6% | 45.8% | 16.1% | 12.9% |
| Risk-weighted assets (credit risk) | 20,931,754 | 12,471,469 | 9,239,444 | 5,041,647 | 12,935,643 |
| Risk-weighted assets (total) | 24,400,322 | 15,097,090 | 11,535,903 | 6,175,326 | 13,845,713 |
| Total own funds requirement | 1,952,026 | 1,207,767 | 922,872 | 494,026 | 1,107,657 |
| Assets | 38,420,813 | 21,159,716 | 15,554,626 | 5,809,218 | 20,812,276 |
| Liabilities | 34,777,889 | 18,163,455 | 13,194,456 | 4,657,409 | 13,556,708 |
| Net interest margin (average interest-bearing assets) | 2.92% | 4.37% | 4.80% | 7.60% | 2.34% |
| NPL ratio | 12.2% | 13.9% | 4.8% | 24.4% | 6.7% |
| NPL coverage ratio | 64.3% | 62.9% | 77.8% | 72.2% | 47.0% |
| Cost/income ratio | 66.3% | 54.3% | 46.6% | 56.0% | 30.7% |
| Provisioning ratio (average loans and advances to customers) | 1.37% | 2.28% | 0.48% | 2.29% | 1.27% |
| Average equity | 3,233,249 | 2,018,441 | 1,590,186 | 831,210 | 1,802,980 |
| **Return on equity before tax** | **2.0%** | **13.7%** | **38.7%** | **26.1%** | **9.6%** |
| Business outlets | 802 | 1,115 | 195 | 899 | 9 |

| Financial year 2013<br>€ 000 | Group Markets | Corporate Center | Reconciliation | Total |
|---|---|---|---|---|
| Net interest income | 148,435 | 664,857 | (636,638) | 3,728,939 |
| Net fee and commission income | 121,059 | (39,937) | (27,201) | 1,626,167 |
| Net trading income | 83,768 | 9,585 | (4,570) | 321,071 |
| Other net operating income | 22,041 | 139,443 | (139,851) | 52,604 |
| **Operating income** | **375,303** | **773,948** | **(808,260)** | **5,728,780** |
| General administrative expenses | (252,695) | (329,096) | 139,915 | (3,339,506) |
| **Operating result** | **122,608** | **444,851** | **(668,345)** | **2,389,275** |
| Net provisioning for impairment losses | (15,418) | 5,626 | 3,304 | (1,149,215) |
| Other results | 18,096 | (579,996) | 156,032 | (405,402) |
| **Profit/loss before tax** | **125,286** | **(129,519)** | **(509,010)** | **834,657** |
| Income taxes | (23,120) | 108,180 | (522) | (231,711) |
| **Profit/loss after tax** | **102,165** | **(21,339)** | **(509,531)** | **602,946** |
| Profit attributable to non-controlling interests | (3) | (11,307) | 7,876 | (45,611) |
| **Profit/Loss after deduction of non-controlling interests** | **102,163** | **(32,646)** | **(501,656)** | **557,336** |
| | | | | |
| Share of profit before tax | 9.3% | (9.6)% | – | 100.00% |
| Risk-weighted assets (credit risk) | 3,920,473 | 15,630,928 | (14,837,194) | 65,334,163 |
| Risk-weighted assets (total) | 5,613,634 | 16,670,488 | (13,441,951) | 79,896,525 |
| Total own funds requirement | 449,091 | 1,333,639 | (1,075,356) | 6,391,722 |
| Assets | 20,271,054 | 34,716,289 | (26,104,179) | 130,639,813 |
| Liabilities | 18,687,417 | 29,687,473 | (12,448,793) | 120,276,015 |
| Net interest margin (average interest-bearing assets) | 0.74% | – | – | 3.11% |
| NPL ratio | 7.5% | – | – | 10.7% |
| NPL coverage ratio | 90.9% | – | – | 63.1% |
| Cost/income ratio | 67.3% | 42.52% | – | 58.3% |
| Provisioning ratio (average loans and advances to customers) | 0.47% | – | – | 1.39% |
| Average equity | 662,071 | 2,286,752 | (1,754,291) | 10,670,599 |
| **Return on equity before tax** | **18.9%** | **–** | **–** | **7.8%** |
| Business outlets | 4 | 1 | – | 3,025 |

| Financial year 2012<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Corporates |
|---|---|---|---|---|---|
| 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[1] | 35,462 | 39,716 | (4,857) | (5,165) | 11,526 |
| **Operating income** | **1,582,076** | **1,280,968** | **1,098,270** | **601,978** | **594,633** |
| General administrative expenses[2] | (1,036,923) | (701,646) | (510,969) | (383,965) | (177,105) |
| **Operating result** | **545,153** | **579,321** | **587,301** | **218,013** | **417,529** |
| Net provisioning for impairment losses | (517,220) | (287,406) | 15,946 | (88,690) | (113,060) |
| Other results[3] | 25,060 | 10,779 | (4,720) | (21,286) | 14,440 |
| **Profit before tax** | **52,993** | **302,694** | **598,527** | **108,036** | **318,909** |
| Income taxes[2] | (67,654) | (35,936) | (125,664) | (47,163) | (71,583) |
| **Profit after tax** | **(14,662)** | **266,758** | **472,863** | **60,873** | **247,326** |
| Profit attributable to non-controlling interests | 1,888 | (15,534) | (5,030) | (6,322) | 113 |
| **Profit/Loss after deduction of non-controlling interests** | **(12,774)** | **251,224** | **467,833** | **54,551** | **247,439** |
| | | | | | |
| 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 |
| Risk-weighted assets (total) | 25,559,089 | 15,868,150 | 12,231,336 | 6,289,652 | 13,955,940 |
| 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 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 | 65.5% | 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 |
| **Return on equity before tax** | **1.7%** | **14.7%** | **39.2%** | **13.7%** | **18.0%** |
| Business outlets | 853 | 1,129 | 186 | 926 | 8 |

1 Excl. impairment of goodwill and bank levies.
2 Adaptation of previous year's values due to retrospective application of IAS 19R.
3 Incl. impairment of goodwill and bank levies.

| Financial year 2012<br>€ 000 | Group Markets | Corporate Center | Reconciliation | Total |
|---|---|---|---|---|
| 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[1] | 13,859 | 146,352 | (143,363) | 93,530 |
| **Operating income** | **356,460** | **569,370** | **(786,985)** | **5,296,769** |
| General administrative expenses[2] | (256,400) | (328,274) | 137,179 | (3,258,103) |
| **Operating result** | **100,060** | **241,096** | **(649,806)** | **2,038,666** |
| Net provisioning for impairment losses | (17,773) | (619) | 0 | (1,008,823) |
| Other results[3] | 176,112 | (639,957) | 447,092 | 7,520 |
| **Profit/loss before tax** | **258,399** | **(399,481)** | **(202,714)** | **1,037,363** |
| Income taxes[2] | (67,881) | 131,948 | (1,437) | (285,370) |
| **Profit/loss after tax** | **190,518** | **(267,533)** | **(204,151)** | **751,993** |
| Profit attributable to non-controlling interests | (527) | (108) | 3,219 | (22,301) |
| **Profit/Loss after deduction of non-controlling interests** | **189,991** | **(267,641)** | **(200,932)** | **729,692** |
| | | | | |
| Share of profit before tax | 20.8% | (32.2)% | – | 100.0% |
| Risk-weighted assets (credit risk) | 3,323,153 | 18,957,029 | (17,812,695) | 68,136,388 |
| Risk-weighted assets (total) | 4,617,176 | 19,565,090 | (15,264,869) | 82,821,563 |
| 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 interest-bearing assets) | 0.85% | – | – | 2.66% |
| NPL ratio | 4.1% | – | – | 9.8% |
| NPL coverage ratio | 90.3% | – | – | 67.0% |
| Cost/income ratio | 71.9% | 57.7% | – | 61.5% |
| 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 |
| **Return on equity before tax** | **24.6%** | **–** | **–** | **9.7%** |
| Business outlets | 3 | 1 | – | 3,106 |

1 Excl. impairment of goodwill and bank levies.
2 Adaptation of previous year's values due to retrospective application of IAS 19R.
3 Incl. impairment of goodwill and bank levies.

# Notes

## Principles underlying the consolidated financial statements

### 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 included in 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 3,025 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and 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 March 11, 2014 and subsequently submitted to the Supervisory Board for review and notice.

### Principles of preparation

The consolidated financial statements for the 2013 financial year and the comparative figures for the 2012 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) insofar 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 2013 and adopted by the EU have been applied. The consolidated financial statements also 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 three subsidiaries – which have a reporting date on June 30 and which are therefore accounted for on the basis of interim financial statements – all fully consolidated companies prepare their annual financial statements as of and for the year ended December 31. 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 going concern principle. 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. Revenue is recognized if the conditions of IAS 18 are met and if it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably.

### Application of new and revised standards

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

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

### IFRS 7 (Disclosures: offsetting financial assets and liabilities; entry into force on January 1, 2013)

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. Apart from the additional information under note (41) Offsetting of financial assets and liabilities, the application of IFRS 7 has no material impact on RBI's consolidated financial statements.

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

In May 2011, the IASB published IFRS 13 (Fair value measurement), which consolidates the rules on the measurement of fair value, which had been included in the individual IFRS, in one single standard and replaces with a uniform framework. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 is prospectively applicable to financial years that start on or after January 1, 2013. The transitional arrangements provide that the mandatory disclosures do not have to be applied to comparative information provided for periods prior to the first-time application of this standard. The first-time application has no material impact on the measurement of RBI's assets and liabilities. However, the application gives rise to changes especially in the notes. For example, information on the market values of financial instruments and on the classification of financial instruments, which previously had to be disclosed only in the annual financial statements, will now also have to be disclosed during the year. These quantitative disclosures are set out in "Other disclosures".

### IAS 1 (Presentation of items of other comprehensive income; entry into force on July 1, 2012)

As a result of changes to IAS 1, a new terminology was introduced for the income statement previously referred to as the "statement of comprehensive income". The latter term has been replaced by "statement of profit and loss and other comprehensive income". However, this is not mandatory. The new terminology has not been adopted.

Under IAS 1 as amended, a reporting entity may present the statement of profit and loss and other comprehensive income in one income statement or in two statements, one directly followed by the other. Nevertheless, the changes to IAS 1 require that the items of other comprehensive income must be grouped into two categories:

(a) Items that will not be reclassified subsequently to profit and loss, and

(b) Items that will be classified subsequently to profit and loss if specific conditions are met.

The income taxes attributable to the items of other comprehensive income must be assigned to those items. However, this does not rule out the presentation of the items of other comprehensive income before tax. The changes were applied retrospectively by the Group and the items of other comprehensive income adjusted correspondingly. Apart from the changes in presentation, the application of IAS 1 as amended has no further consequences for the presentation of the statement of comprehensive income.

### IAS 19 (Employee benefits; entry into force on January 1, 2013)

In the reporting year, IAS 19 (Benefits to employees, revised 2011, IAS 19R) was applied retrospectively in the Group for the first time. The most significant amendment to IAS 19 relates to accounting for changes in defined benefit obligations and plan assets. The amendment requires the immediate recognition of changes in defined benefit obligations and in the fair value of the plan assets at the date of the change. As a result of the elimination of the corridor approach, all actuarial gains and losses are recognized immediately in other comprehensive income. As RBI did not apply the corridor method in previous periods, no material adjustments are necessary. The impact of the retrospective application of IAS 19R is evident, first, in the opening balance of the statement of changes in equity at January 1, 2012 and, second, in the transition to total comprehensive income. The comparative figures were adjusted correspondingly. In addition, IAS 19R provides for changes in the presentation of defined-benefit costs and requires more extensive disclosures. These are set out in note (29) Provisions.

### Impact of application of IAS 19R:

Impact of retrospective application of IAS 19R on 2012 total comprehensive income:

| € 000 | 2012 |
|---|---|
| **Income statement** | |
| General administrative expenses | 5,747 |
| Income taxes | (1,437) |
| Profit after tax | 4,310 |
| Profit attributable to non-controlling interests | 0 |
| Consolidated profit | 4,310 |
| **Reconciliation to total comprehensive income** | |
| Remeasurements of provisions for retirement benefits and severance payments | (5,747) |
| Deferred taxes | 1,437 |
| **Total comprehensive income** | **0** |

Impact of retrospective application of IAS 19R on the 2012 balance sheet:

| € 000 | 2012 |
|---|---|
| Consolidated profit | 4,310 |
| Retained earnings | (4,310) |

Impact on 2013 total comprehensive income if IAS 19R had not been applied:

| € 000 | 2013 |
|---|---|
| **Income statement** | |
| General administrative expenses | 3,820 |
| Income taxes | (958) |
| Profit after tax | 2,862 |
| Profit attributable to non-controlling interests | 0 |
| Consolidated profit | 2,862 |
| **Reconciliation to total comprehensive income** | |
| Remeasurements of provisions for retirement benefits and severance payments | 3,820 |
| Deferred taxes | (958) |
| **Total comprehensive income** | **0** |

| € 000 | 2013 |
|---|---|
| Consolidated profit | (2,862) |
| Retained earnings | 2,862 |

The impact of the application of IAS 19R on earnings per share is € 0.01 per share (2012: € 0.02 per share).

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

IFRIC 20 applies to stripping costs that are incurred in surface mining activity during the production phase of the mine. According to the interpretation, the costs of removal (stripping activity), which improves access to ore, are recognized as non-current assets if certain criteria are met. By contrast, current removal costs must be recognized in accordance with IAS 2. 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 asset whose benefit is enhanced by the stripping activity. These amendments have no impact on RBI's consolidated financial statements.

### Annual Improvements to IFRS – 2009–2011 cycle (entry into force on January 1, 2013)

The Annual Improvements to IFRS – 2009–2011 cycle include a variety of amendments to different standards. The amendments are effective for annual periods beginning on or after January 1, 2013. These amendments will have no impact on the consolidated financial statements.

## New and revised standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

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

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

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

Joint ventures are added to the scope of the revised IAS 28, since, under IFRS 11, joint ventures may only be included in the consolidated financial statements according to the equity method. The revised version of IAS 28 is not expected to have any impact on the consolidated financial statements.

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

The amendments of IAS 32 clarify existing application issues relating to the offsetting of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right to set off" and "simultaneous realization and settlement". The revised version of IAS 32 is not expected to have any impact on the consolidated financial statements.

### IFRS 10 (Consolidated financial statements; entry into force on January 1, 2014)

IFRS 10 replaces the parts of IAS 27 (Consolidated and Separate Financial Statements) that deal with consolidated financial statements. SIC-12 (Consolidation – Special Purpose Entities) will be replaced by IFRS 10. In IFRS 10, there is only one basis for consolidation, namely control. Under IFRS 10, control exists if an investor has all three of the following elements: (a) controlling influence over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in the standard to deal with complex scenarios. 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 1, 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, accounting for jointly controlled assets is no longer addressed separately in IFRS 11; the rules for joint ventures are applied. The classification of a joint arrangement as joint operation or joint venture depends on the rights and obligations of the parties to the agreement. In addition, joint ventures under IFRS 11 must be accounted for using the equity method, whereas jointly controlled entities under IAS 31 can be accounted for using proportionate consolidation or the equity method. RBI does not expect the future application of IFRS 11 to have an impact on the consolidated financial statements.

### IFRS 12 (Disclosures of interests in other entities; entry into force on January 1, 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 far more extensive than those in the current standards. We assume that the future application of IFRS 12 will have no impact on the consolidated financial statements.

#### Amendments to IFRS 10, IFRS 11 and IAS 27 (Investment entities; entry into force on January 1, 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). These amendments will have no impact on the consolidated financial statements.

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

As a result of these amendments, the transition guidance in IFRS 10, IFRS 11 and IFRS 12 is clarified and additional relief provided in all three standards. Adjusted comparative information is only required for the preceding comparative period. In addition, in connection with the disclosures in the notes on non-consolidated structured entities there is no obligation to provide comparative information for periods that precede the first-time application of IFRS 12.

#### Amendments to IAS 36 (Recoverable amount disclosures for non-financial assets; entry into force January 1, 2014)

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

#### Amendments to IAS 39 (Novation of OTC derivatives and continuation of hedging relationship; entry into force January 1, 2014)

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

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

#### IFRS 9 (Financial Instruments)

IFRS 9 (financial instruments), 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 must 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 measured at amortized cost at the end of subsequent accounting periods. All other instruments must be measured at fair value.

IFRS 9 also includes an irrevocable option to recognize subsequent changes in the fair value of an equity instrument (not held for trading purposes) in other comprehensive income and to recognize only dividend income in the profit and loss statement. With regard to the measurement of financial liabilities (designated as measured at fair value through profit or loss), IFRS 9 requires that changes in fair value arising out of changes in the default risk of the reporting entity are to be recognized in other comprehensive income. However, this does not apply if recognition of such changes in other comprehensive income were to create or increase an accounting inconsistency in or compared to the profit and loss statement. Changes in fair value attributable to a reporting entity's own credit risk may not be 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 impact of IFRS 9 until a detailed review has been completed.

The published version of IFRS 9 no longer includes an effective date, as the completion of the outstanding project phases is still pending. In February 2014, the IASB decided that the mandatory date of the initial application of IFRS 9 will be January 1, 2018.

### IAS 19R (Employee contributions; entry into force July 1, 2014)

The amendments will clarify the provisions that relate to the allocation of employee or third-party contributions linked to service to periods of service. In addition, a solution that simplifies accounting practice is permitted if the amount of the contributions is independend on the number of years of service performed. These amendments will have no material impact on RBI's consolidated financial statements.

### IFRIC 21 (Levies; entry into force on January 1, 2014)

IFRIC 21 contains guidance as to when a liability is to be recognized for a levy imposed by a government (e.g. bank levies). The obligating event for the recognition of a liability is identified as the activity that triggers payment according to the relevant legislation. Levies do not have to be recognized until the obligating event has occurred. The obligating event may also occur gradually over a period of time and the liability is therefore recognized progressively. RBI does not expect that IFRIC 21 has material impact on the consolidated financial statements

### Annual Improvements to IFRS – 2010–2012 cycle (entry into force on July 1, 2014)

The Annual Improvements to IFRS – 2010–2012 cycle include numerous amendments to various IFRS. The amendments are effective for annual periods beginning on or after January 1, 2014. These amendments will have no material impact on RBI's consolidated financial statements.

### Annual Improvements to IFRS – 2011 – 2013 cycle (entry into force on July 1, 2014)

The Annual Improvements to IFRS 2011–2013 cycle include numerous amendments to various IFRS. The amendments are effective for annual periods beginning on or after January 1, 2014. These amendments will have no impact on RBI's consolidated financial statements.

## Critical accounting judgments 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 the current perspective. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be taken into account only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following 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 subject to an impairment test to determine whether an impairment loss is to be recognized through profit or loss. 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. Risk provisions are described in detail in note (42) Risks arising from financial instruments, in the section on credit risk.

### Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group takes account of certain features of the asset or liability (e.g. condition and location of the asset or restrictions in the sale and use of an asset) if market participants would also take account of such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. 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 valuation models are described in the notes in the section on financial instruments – Recognition and measurement. In addition, the fair values of financial instruments are shown in note (44) Fair value of financial instruments not recognized at fair value and the fair value hierarchy is shown in note (45) Fair value of financial instruments recognized 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 reported separately in the income statement and 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. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the balance sheet date for top-rated fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not taken into account. Mercer's recommendation is used to determine the interest rate. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. 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 requires judgments and assumptions to be made by 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 section on business combinations. Additionally, the carrying amounts of goodwill are presented in note (22) intangible assets.

## Consolidation principles

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. Control exists if the control criteria listed in IAS 27 are met and RBI, as parent company, is therefore able to influence the financial and business policy of an affiliated company in order to benefit from the latter's activities. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include changes to the Group's existing or new contractual obligations concluded with a unit. Subsidiaries with deviating reporting dates are accounted for on the basis of their interim financial statements. The results from subsidiaries 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 for the benefit of the Group are in accordance with its specific business needs so that it can take advantage of the SPE's activities, whether the Group has the decision-making powers to obtain 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.

If, in the case of existing control, further shares are acquired or sold without loss of control in subsequent consolidation, such transactions are recognized directly in equity. 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 – in other words, companies whose financial and operating policies are significantly influenced by the Group – are consolidated according to the equity method under "investments in associates. " Profit or losses of companies valued according to the equity method are netted and recognized in "current income from associates." The rules applicable to companies valued according to the equity method  are the same as those for fully consolidated companies (offsetting acquisition costs against proportional fair net asset value). As a rule, the IFRS financial statements of associated companies are used. Changes in the equity of companies valued according to the equity method are included in other comprehensive income in the consolidated financial statements.

Shares in subsidiaries not included in the consolidated financial statements because of their minor significance and shares companies that have not been valued according to the equity method are included in "financial investments" and are measured at acquisition cost.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized in "other assets/other liabilities" in the consolidated balance sheet.

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

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

## Business combinations

In capital consolidation, all identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at fair value on the acquisition date according to IFRS 3. The acquisition costs are set off against the proportionate net assets. The resulting positive goodwill is capitalized and subject to an impairment test at least annually. Negative goodwill on first-time consolidation is recognized immediately in profit or loss.

## Foreign currency translation

The consolidated financial statements of RBI are prepared in Euro which is the functional currency of RBI AG. The functional currency is the currency of the principal economic environment in which the company operates. Each entity within the Group determines its own functional currency taking all factors listed in IAS 21 into account.

All financial statements of fully consolidated companies prepared in another functional currency than Euro were translated into the reporting currency Euro 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) are 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 are offset against equity (retained earnings).

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 € | 2013 As of 31/12 | 2013 Average 1/1 – 31/12 | 2012 As of 31/12 | 2012 Average 1/1 – 31/12 |
|---|---|---|---|---|
| Albanian lek (ALL) | 140.200 | 140.229 | 139.590 | 139.298 |
| Belarusian rouble (BYR) | 13,080.000 | 11,830.000 | 11,340.000 | 10,766.923 |
| 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) | 7.627 | 7.577 | 7.558 | 7.527 |
| Czech koruna (CZK) | 27.427 | 25.960 | 25.151 | 25.189 |
| Hungarian forint (HUF) | 297.040 | 297.500 | 292.300 | 290.242 |
| Kazakh tenge (KZT) | 211.170 | 202.477 | 199.220 | 192.773 |
| Malaysian Ringgit (MYR) | 4.522 | 4.208 | 4.035 | 3.989 |
| Polish zloty (PLN) | 4.154 | 4.203 | 4.074 | 4.190 |
| Romanian leu (RON) | 4.471 | 4.417 | 4.445 | 4.447 |
| Russian rouble (RUB) | 45.325 | 42.444 | 40.330 | 40.235 |
| Serbian dinar (RSD) | 114.642 | 113.127 | 113.718 | 112.880 |
| Singapore dollar (SGD) | 1.741 | 1.663 | 1.611 | 1.614 |
| Turkish lira (TRY) | 2.961 | 2.551 | 2.355 | 2.325 |
| Ukrainian hryvnia (UAH) | 11.042 | 10.634 | 10.537 | 10.307 |
| US-Dollar (USD) | 1.379 | 1.330 | 1.319 | 1.293 |

## 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 2013, as well as the financial statements of subsequent periods.

The average inflation rate in Belarus was 16.5 per cent in the reporting period (2012: 70.7 per cent).

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 liabilties 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.

# Consolidated group

| Number of units | Fully consolidated 31/12/2013 | 31/12/2012 | Equity method 31/12/2013 | 31/12/2012 |
|---|---|---|---|---|
| **As of beginning of period** | **137** | **135** | **1** | **1** |
| Included for the first time in the financial period | 14 | 15 | 0 | 0 |
| Merged in the financial period | (1) | (3) | 0 | 0 |
| Excluded in the financial period | (7) | (10) | 0 | 0 |
| **As of end of period** | **143** | **137** | **1** | **1** |

Of the 143 entities in the Group, 36 are domiciled in Austria (2012: 32) and 107 abroad (2012: 105). They comprise 21 banks, 62 financial institutions, 27 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 252 subsidiaries were not included in the consolidated financial statements (2012: 220). 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 (57) List of fully consolidated companies and under note (58) List of equity particpations.

## Included units

| Name | Share | Included as of | Reason |
|---|---|---|---|
| **Financial institutions** | | | |
| Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT) | 81.3% | 31/12 | Materiality |
| CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT) | 81.3% | 31/12 | Materiality |
| DAV Holding Ltd., Budapest (HU) | 100.0% | 1/6 | Materiality |
| Floreasca City Center Verwaltung Kft., Budapest (HU) | 100.0% | 1/1 | Start of operations |
| PERSES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT) | 81.3% | 31/12 | Materiality |
| NOC Ltd., Budapest (HU) | 50.0% | 30/6 | Materiality |
| SCTF Szentendre Kft., Budapest (HU) | 48.1% | 1/6 | Materiality |
| SCTJ Real Estate Development Kft., Budapest (HU) | 100.0% | 1/6 | Materiality |
| **Companies rendering banking-related ancillary services** | | | |
| CENTRUM BYVANIA s.r.o., Bratislava (SK) | 78.8% | 30/11 | Materiality |
| CJSC Mortgage Agent Raiffeisen 01, Moscow (RU) | 0.0% | 1/6 | Start of operations |
| ELIOT a.s., Bratislava (SK) | 78.8% | 30/11 | Materiality |
| Promenada Mall S.R.L., Bucharest (RO) | 100.0% | 1/5 | Materiality |
| Raiffeisen Ingatlan Vagyonkezelö Kft., Budapest (HU) | 100.0% | 1/6 | Materiality |
| Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT) | 100.0% | 31/1 | Materiality |

## Mergers

As of 1 January 2013, Central Eastern European Finance Agency B.V., Amsterdam (NL), was merged into RI Eastern European Finance B.V., Amsterdam (NL).

## Excluded units

| Name | Share | Excluded as of | Reason |
|---|---|---|---|
| **Financial institutions** | | | |
| NOC Ltd., Budapest (HU) | 50.0% | 30/11 | Immaterial |
| Perseus Property s.r.o., Prague (CZ) | 75.0% | 31/5 | Sale |
| Raiffeisen Investment (Malta) Limited, Sliema (MT) | 99.8% | 1/1 | Liquidation |
| RLRE Alpha Property s.r.o., Prague (CZ) | 75.0% | 31/10 | End of operations |
| ROOF Consumer Romania 2008 – 1 B.V., Amsterdam (NL) | 0.0% | 28/2 | Immaterial |
| **Companies rendering banking-related ancillary services** | | | |
| EFG Poldystrybucja SP. Z.o.o., Warsaw (PL) | 100.0% | 1/1 | Immaterial |
| **Securities firms** | | | |
| Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Luxembourg (LU) | 100.0% | 1/1 | Immaterial |

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

| € 000 | JULIUS | POLDYS | Others | Total |
|---|---|---|---|---|
| Assets | 22,305 | 7,660 | 58,308 | 88,273 |
| Liabilities | 193 | 139 | 58,330 | 58,661 |
| **Total identifiable net assets** | **22,112** | **7,521** | **(22)** | **29,612** |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| **Net assets after non-controlling interests** | **22,112** | **7,521** | **(22)** | **29,612** |
| Goodwill | 0 | 360 | 0 | 360 |
| Selling price/carrying amount | 17,427 | 6,068 | 13 | 23,507 |
| **Net income from disposal of group assets** | **(4,686)** | **(1,814)** | **35** | **(6,465)** |

JULIUS: Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Luxembourg (LU)
POLDYS: EFG Poldystrybucja SP. Z.o.o., Warsaw (PL)

The liquidity effect of the sold Group unit amounted to € 7 thousand.

# 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. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IAS 39, either at (amortized) cost or at fair value.

### Categorization of financial assets and financial liabilities and their measurement

The measurement categories for financial instruments pursuant to IAS 39 do not equate to the principal items in the statement of financial position. Relationships between the principal items in the statement of financial position and the measurement standard applied are on the one hand described in the table "Categories of financial instruments according to IFRS7" and on the other hand in the notes under (1) income statement according to measurement categories and (13) statement of financial position according to measurement categories.

### 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. 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".

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. 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.

In 2013, as in 2012, observable market prices were used for the valuation of liabilities of subordinated emissions measured at fair value. 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 and liabilities.

### 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 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. These financial instruments are mainly recorded in the item "loans and advances to banks" and "loans and advances to customers". Moreover, loans and advances relating to finance lease business, which are recognized in accordance with IAS 17, are stated in the item "loans and advances to banks" and "loans and advances to customers".

They are measured at 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 stated under net interest income. If impairment occurs it is taken account of when determining the amortized cost. Impairment provisions and provisions for losses that have occurred but have not yet been identified are reported in the statement of financial position under the item "impairment losses on loans and advances". 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 instruments including non-consolidated 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 directly in equity 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 or if the financial asset available-for-sale is sold.

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".

Interest and dividend income from financial assets available-for-sale are recorded in the item "net interest income".

### 5. Financial liabilities

Liabilities are predominantly recognized at amortized cost. Discounted debt securities and similar obligations are measured at their present value. Financial liabilities are reported in the statement of financial position under the item "deposits from banks", deposits from customers", "debt securities issued" or "subordinated capital". Financial liabilities measured at fair value are shown in the category "liabilities at fair value through profit and loss". Interest expenses are stated under net interest income.

## 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 expired 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 own liabilities is shown in note (6) Net income from derivatives and liabilities. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying value of the liability (including premiums and discounts) and the purchase price are reported through profit and loss in net income from derivatives and liabilities.

## 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 in (20) Financial investments.

## Offsetting of financial instruments

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. Information on offsetting of financial instruments is provided in (41) Offsetting financial assets and liabilities.

## Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. 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.

Additional information on derivatives is provided in the notes (43) derivative financial instruments.

### 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 a separate item in other comprehensive income. The ineffective portion is recognized in profit or loss on the other hand, in the position net income from derivatives and 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.

## Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments.

### 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. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments).

### 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-derivatives 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 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.

In 2013 and as a consequence of the change in market standards, RBI changed the valuation method for collateralized OTC derivatives from Euribor discounting to EONIA/OIS discounting.

### 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.

## Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the carrying amount.

## 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 was 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.

| Assets/liabilities | Fair Value | Measurement Amortized Cost | Others | Category according IAS 39[1] |
|---|---|---|---|---|
| **Asset classes** | | | | |
| 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 | | | to IAS 17 | n/a |
| Financial investments | X | | | AFVTPL |
| Financial investments | X | | | AfS |
| Financial investments | | X | | HTM |
| of which not traded on an active market | | | At Cost | AfS |
| Positive fair values of derivatives for hedge accounting (IAS 39) | X | | | n/a |
| **Liability classes** | | | | |
| 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 AfS Available-for-sale; AFVTPL At fair value through profit and loss; FL Financial liabilities; HTM Held to maturity; LAR Loans and advances; TA Trading assets; TL Trading liabilities

## 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.

Objective evidence for an impairment may exist when the issuer or the counterparty face considerable financial difficulties, a breach of contract occurs (for example, default or delay in interest or redemption payments) or it can be assumed with high probability that insolvency or other restructuring proceedings will be instituted against the borrower.

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. Assessment was refined and a parallel standardized application of Group-wide uniform default rates achieved for calculating portfolio-based impairment provisions as a result of splitting rating models for commercial clients into "large" and "regular" and increasing the number of rating categories from 10 to 27 (for corporate clients) and 16 (for small and medium-sized entities). 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.

The entirety of the provision for impairment losses arising from loans reported in the statement of financial position comprising individual loan loss provisions and portfolio-based loan loss provisions is shown as a separate item "Impairment losses on loans and advances" on the assets side below loans and advances to banks and customers.

## 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. The securities are not derecognized since all the risks and rewards associated with the ownership of the repurchased securities are retained. 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. The purchased securities on which the financial transaction is based are not reported in the statement of financial position and accordingly not measured. 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

RBI concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. 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 by the Group for securities lending transactions are shown as a claim under "Loans and advances to banks" or "Loans and advances to customers" while collateral received is shown as deposits from banks or deposits from customers in the statement of financial position.

## 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 a loan to 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. Interest income is reported under "Net interest income".

Under a finance lease the lessee holds assets that are shown under the relevant tangible fixed asset item, which corresponds to a lease liability. Interest expenditure is reported under "Net interest income".

### 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.

## 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.

## 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

### Separately acquired intangible fixed assets

Separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

### Internally developed intangible fixed assets – research and development costs

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.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The capability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources in order to complete development and to use or sell the intangible fixed asset is assured.
- The capability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

### Intangible fixed assets acquired in a business combination

Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever special events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be made pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail segment of Raiffeisen Bank Aval JSC. For the customer base of Polbank EFG S.A. a useful life of 10 years based on the purchase price allocation was set.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are 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. Details on impairment testing can be found under item (22) Intangible fixed assets

## Tangible fixed assets

The land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less scheduled depreciation. Depreciation is recorded under item "General administrative expenses". 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. Any necessary future change of estimates is taken into account. Any anticipated permanent depreciation is reported in the income statement and shown under item "General administrative expenses". 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.

An intangible fixed asset is derecognized on retirement or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement 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.

## 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. Straight line depreciation is effected on the basis of useful life. The normal useful life of investment property is identical with that of buildings recognized under tangible fixed assets. Depreciation is recorded under item "General administrative expenses".

Investment property is derecognized on retirement or when it is no longer to be used and no future economic benefit can be expected from retirement. The resulting gain or loss from the retirement is determined as the difference between the proceeds from the disposal and the carrying value of the asset and is recognized in other net operating income in the relevant reporting period.

## Impairment of non-financial assets (tangible fixed assets, investment property and intangible fixed assets)

**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 (CGUs). 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. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying value of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the amount resulting from its value in use and based on expected future profits from the entity discounted using rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for cash-generating units are based on a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is made using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which takes another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found under item (22) Intangible fixed assets

## 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. Income from non-current assets held for sale and discontinued operations are reported under other net operating income.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not. Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

## 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. If a provision is made based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is substantial.

These types of provision are reported in the statement of financial position under item "Provisions". Allocation to the various types of provision is performed by means of various items in the income statement. Loan loss provisions for contingent liabilities are recorded under net provisioning for impairment losses, restructuring provisioning, provisioning for legal risks and other employee benefits in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

## 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 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.

Please refer to Provisions for pensions and similar obligations in note (29) Provisions for liabilities and charges.

## 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 Group units in Bulgaria, with 40 percent up-front portion and a retention period of two years, and in 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 (deferral period). 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 core tier 1 ratio of the RBI Group,

- additionally, in Group units at 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 RBI Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the "up front" and 50 per cent of the "deferred" portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment 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 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.

All expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. They are described in greater detail 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 interest-like income 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 of tangible and intangible fixed assets.

## Income taxes

RBI AG and eight of its domestic subsidiaries are members of a tax group for which Raiffeisen Zentralbank Österreich Aktiengesellschaft acts as group parent. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). 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 calculated and recognized 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. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. This applies to 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. Revaluations of defined benefit plans are reported in income and expenses recognized directly in equity that are not reclassified in the income statement.

## 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 certain payments. These payments 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 measurement the credit commitment has to be presented as provision according to IAS 37.

## Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IAS 39. Liabilities are recorded under other liabilities Please refer to note (32) Other liabilities for more information on insurance contracts.

## 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 chapter segment reporting.

## 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 | 2013 | 2012 |
|---|---|---|
| **Net gains (losses) on financial assets and liabilities held-for-trading** | **276,555** | **537,374** |
| **Financial assets and liabilities at fair value through profit or loss** | **402,012** | **232,167** |
| Interest income | 354,812 | 388,805 |
| Net gains (losses) on financial assets and liabilities at fair value through profit or loss | 47,200 | (156,639) |
| **Financial assets available-for-sale** | **41,806** | **177,146** |
| Interest income | 12,854 | 14,792 |
| Net realized gains (losses) on financial assets available-for-sale | 51,038 | 184,628 |
| Impairment on financial assets available-for-sale | (22,086) | (22,274) |
| **Loans and advances** | **3,980,369** | **4,477,847** |
| Interest income | 5,129,584 | 5,486,676 |
| Net realized gains (losses) on financial assets not measured at fair value through profit and loss | 14,127 | 8,894 |
| Impairment on financial assets not measured at fair value through profit and loss | (1,163,343) | (1,017,724) |
| **Financial assets held-to-maturity** | **186,686** | **225,391** |
| Interest income | 183,803 | 224,503 |
| Net realized gains (losses) on financial assets not measured at fair value through profit and loss | 2,562 | 1,062 |
| Write-ups/impairment on financial assets not measured at fair value through profit and loss | 321 | (174) |
| **Financial liabilities** | **(2,355,251)** | **(2,894,843)** |
| Interest expenses | (2,354,913) | (3,004,643) |
| Income from repurchase of liabilities | (338) | 109,801 |
| **Derivatives (hedging)** | **69,918** | **8,392** |
| Net interest income | 73,111 | (190) |
| Net gains (losses) from hedge accounting | (3,193) | 8,582 |
| **Net revaluations from exchange differences** | **99,658** | **105,437** |
| **Other operating income/expenses**[1] | **(1,867,096)** | **(1,831,549)** |
| **Profit before tax from continuing operations** | **834,657** | **1,037,363** |

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

# (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 | 2013 | 2012 |
|---|---|---|
| **Interest and interest-like income, total** | **6,083,730** | **6,478,884** |
| Interest income | 6,047,891 | 6,435,039 |
| from balances at central banks | 38,364 | 75,645 |
| from loans and advances to banks | 244,302 | 296,742 |
| from loans and advances to customers | 4,632,765 | 4,875,061 |
| from financial investments | 537,367 | 608,961 |
| from leasing claims | 192,416 | 216,663 |
| from derivative financial instruments (non-trading), net | 402,677 | 361,967 |
| Current income | 14,102 | 19,139 |
| from shares and other variable-yield securities | 1,248 | 4,347 |
| from shares in affiliated companies | 8,860 | 10,269 |
| from other interests | 3,994 | 4,523 |
| Interest-like income | 21,737 | 24,706 |
| **Current income from associates** | **122** | **50** |
| **Interest expenses and interest-like expenses, total** | **(2,354,913)** | **(3,006,780)** |
| Interest expenses | (2,292,201) | (2,964,061) |
| on deposits from central banks | (2,815) | (2,141) |
| on deposits from banks | (416,496) | (663,739) |
| on deposits from customers | (1,308,750) | (1,632,549) |
| on debt securities issued | (369,226) | (454,488) |
| on subordinated capital | (194,914) | (211,144) |
| Interest-like expenses | (62,712) | (42,719) |
| **Net interest income** | **3,728,939** | **3,472,155** |

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 201,511 thousand (2012: € 205,361 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. The net interest income resulting from the insurance business recognized according to IFRS 4 amounted to € 5,237 thousand (2012: € 199 thousand).

# (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 | 2013 | 2012 |
|---|---|---|
| **Individual loan loss provisions** | **(1,215,173)** | **(1,181,821)** |
| Allocation to provisions for impairment losses | (1,892,013) | (1,661,146) |
| Release of provisions for impairment losses | 739,935 | 568,284 |
| Direct write-downs | (140,957) | (168,614) |
| Income received on written-down claims | 77,863 | 79,655 |
| **Portfolio-based loan loss provisions** | **51,830** | **164,103** |
| Allocation to provisions for impairment losses | (319,217) | (361,008) |
| Release of provisions for impairment losses | 371,047 | 525,111 |
| **Gains from loan termination or sale** | **14,127** | **8,894** |
| **Total** | **(1,149,215)** | **(1,008,823)** |

Details on risk provisions are shown under note (17) Impairment losses on loans and advances.

# (4) Net fee and commission income

| € 000 | 2013 | 2012 |
|---|---|---|
| Payment transfer business | 731,402 | 662,949 |
| Loan and guarantee business | 249,662 | 246,857 |
| Securities business | 148,136 | 118,210 |
| Foreign currency, notes/coins, and precious metals business | 354,377 | 348,513 |
| Management of investment and pension funds | 26,887 | 22,751 |
| Sale of own and third party products | 42,136 | 45,415 |
| Credit derivatives business | (69) | (16) |
| Other banking services | 73,637 | 71,721 |
| **Total** | **1,626,167** | **1,516,399** |

# (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 | 2013 | 2012 |
|---|---|---|
| Interest-based transactions | 35,334 | 34,062 |
| Currency-based transactions | 261,739 | 209,239 |
| Equity-/index-based transactions | 29,419 | 8,839 |
| Credit derivatives business | (6,375) | (12,748) |
| Other transactions | 953 | (24,706) |
| **Total** | **321,071** | **214,686** |

A change in the estimation of default probability for the counterparty risk led to a decrease of € 8,960 thousand in income from interest-based transactions (2012: decrease of € 30,423 thousand).

Currency-based transactions contained an effect due to the application of IAS 29 hyperinflation in Belarus in the amount of minus € 22,024 thousand (2012: minus € 20,648 thousand).

# (6) Net income from derivatives and liabilities

| € 000 | 2013 | 2012 |
|---|---|---|
| Net income from hedge accounting | (3,193) | 8,582 |
| Net income from credit derivatives | 125 | 6,863 |
| Net income from other derivatives | (274,549) | 59,105 |
| Net income from liabilities designated at fair value | 21,293 | (311,813) |
| Income from repurchase of liabilities | (338) | 109,801 |
| **Total** | **(256,662)** | **(127,462)** |

Net income from hedge accounting includes on the one hand, a valuation result from derivatives in fair value hedges of minus € 129,138 thousand (2012: plus € 246,813 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of plus € 125,946 thousand (2012: minus € 238,231 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 € 125,528 thousand (2012: loss of € 144,649 thousand) and a positive effect from changes in market interest rates of € 146,821 thousand (2012: negative effect of € 167,164 thousand).

In 2012, income from the repurchase of liabilities included income from the repurchase of hybrid bonds amounting to € 113,291 thousand less transaction costs (nominal value of € 357,806 thousand).

# (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, associated companies, and other companies.

| € 000 | 2013 | 2012 |
|---|---|---|
| **Net income from securities held-to-maturity** | **2,883** | **888** |
| Net valuations of securities | 321 | (174) |
| Net proceeds from sales of securities | 2,562 | 1,062 |
| **Net income from equity participations** | **28,941** | **(691)** |
| Net valuations of equity participations | (22,086) | (22,274) |
| Net proceeds from sales of equity participations | 51,027 | 21,583 |
| **Net income from securities at fair value through profit and loss** | **25,908** | **155,168** |
| Net valuations of securities | 7,011 | 73,410 |
| Net proceeds from sales of securities | 18,897 | 81,758 |
| **Net income from available-for-sale securities** | **11** | **163,045** |
| **Total** | **57,743** | **318,410** |

In 2012, 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 | 2013 | 2012 |
|---|---|---|
| **Staff expenses** | **(1,631,667)** | **(1,600,595)** |
| Wages and salaries[1] | (1,243,347) | (1,208,589) |
| Social security costs and staff-related taxes | (302,054) | (293,153) |
| Other voluntary social expenses | (41,515) | (40,813) |
| Expenses for defined contribution pension plans | (10,719) | (8,998) |
| Expenses for defined benefit pension plans | (576) | (3,966) |
| Expenses for other post-employment benefits | (9,465) | (15,866) |
| Expenses for other long-term employee benefits | (3,529) | (969) |
| Termination benefits | (2,140) | 0 |
| Expenses on share incentive program (SIP) | (1,057) | (7,364) |
| Deferred bonus payments | (17,264) | (20,876) |
| **Other administrative expenses** | **(1,276,926)** | **(1,256,815)** |
| Office space expenses | (347,045) | (352,350) |
| IT expenses | (268,644) | (257,501) |
| Communication expenses | (81,276) | (89,548) |
| Legal, advisory and consulting expenses | (108,555) | (116,733) |
| Advertising, PR and promotional expenses | (121,134) | (101,959) |
| Deposit insurance fees | (95,762) | (93,208) |
| Office supplies | (34,016) | (29,943) |
| Car expenses | (22,195) | (22,404) |
| Security expenses | (44,584) | (46,447) |
| Traveling expenses | (24,163) | (23,875) |
| Training expenses for staff | (19,738) | (16,103) |
| Sundry administrative expenses | (109,814) | (106,743) |
| **Depreciation of intangible and tangible fixed assets** | **(430,912)** | **(400,693)** |
| Tangible fixed assets | (177,923) | (188,199) |
| Intangible fixed assets | (219,365) | (179,072) |
| Leased assets (operating lease) | (33,624) | (33,422) |
| **Total** | **(3,339,506)** | **(3,258,103)** |

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

Legal, advisory and consulting expenses include audit fees of the RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 8,801 thousand (2012: € 8,427 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 4,840 thousand (2012: € 4,682 thousand). Thereof, € 2,556 thousand (2012: € 2,418 thousand) account for the Group auditor for the audit of the financial statements and € 1,222 thousand (2012: € 1,885 thousand) account for the other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 3,916 thousand (2012: € 7,352 thousand) which relates to scheduled amortization of the customer base.

The depreciation of tangible and intangible fixed assets includes an impairment of € 69,894 thousand (2012: € 37,122 thousand) mainly resulting from a software project in the Czech Republic and branch buildings in Russia.

# (9) Other net operating income

| € 000 | 2013 | 2012 |
|---|---|---|
| Net income arising from non-banking activities | 27,696 | 44,695 |
| Sales revenues from non-banking activities | 553,992 | 721,054 |
| Expenses arising from non-banking activities | (526,296) | (676,359) |
| Net income from additional leasing services | (281) | 8,912 |
| Revenues from additional leasing services | 69,656 | 80,442 |
| Expenses from additional leasing services | (69,937) | (71,530) |
| Rental income from operating lease (vehicles and equipment) | 31,753 | 32,780 |
| Rental income from investment property incl. operating lease (real estate) | 34,086 | 22,952 |
| Net proceeds from disposal of tangible and intangible fixed assets | (15,574) | (8,979) |
| Other taxes | (266,113) | (189,690) |
| hereof bank levies and financial transaction tax | (197,071) | (157,102) |
| Impairment of goodwill | (2,948) | (38,463) |
| Income from release of negative goodwill | 0 | 0 |
| Net expense from allocation and release of other provisions | 4,195 | 19,374 |
| Negative interest | (33) | 0 |
| Sundry operating income | 91,488 | 59,928 |
| Sundry operating expenses | (51,685) | (53,545) |
| **Total** | **(147,415)** | **(102,035)** |

The other net operating income includes impairment of goodwill amounting to € 2,948 thousand which were made by Group units in the Czech Republic, Hungary and Belarus. In 2012, impairment of goodwill totaling € 38,463 thousand especially for Group units from Ukraine, Bosnia and Herzegovina, Croatia and Hungary were included.

# (10) Net income from disposal of group assets

In the reporting period, three subsidiaries were excluded from the consolidated group due to materiality reasons. Moreover, one subsidiary was excluded due to sale and respectively one due to end of operations and liquidiation. Net income from this disposal of group assets amounted to minus € 6,465 thousand (2012: plus € 12,137 thousand).

# (11) Income taxes

| € 000 | 2013 | 2012 |
|---|---|---|
| Current income taxes | (263,512) | (264,049) |
| Austria | 20,239 | (16,317) |
| Foreign | (283,751) | (247,733) |
| Deferred taxes[1] | 31,801 | (21,321) |
| **Total** | **(231,711)** | **(285,370)** |

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

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 | 2013 | 2012 |
|---|---|---|
| **Profit before tax**[1] | **834,657** | **1,037,363** |
| **Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent** | **(208,664)** | **(259,341)** |
| Effect of divergent foreign tax rates | 101,195 | 60,555 |
| Tax decrease because of tax-exempted income from equity participations and other income | 45,391 | 52,106 |
| Tax increase because of non-deductible expenses | (99,737) | (81,783) |
| Other changes[1] | (69,896) | (56,906) |
| **Effective tax burden**[1] | **(231,711)** | **(285,370)** |
| **Tax rate in per cent**[1] | **27.8** | **27.5** |

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

Other tax deductions and tax increases mainly result from tax losses which are not recognized as deferred tax assets and Group taxation ("Steuerumlage").

# (12) Earnings per share

| € 000 | 2013 | 2012 |
|---|---|---|
| Consolidated profit | 557,336 | 729,692 |
| Less dividend for participation capital | (200,000) | (200,000) |
| **Adapted consolidated profit** | **357,336** | **529,692** |
| Average number of ordinary shares outstanding in thousand | 194,948 | 194,859 |
| **Earnings per share in €** | **1.83** | **2.72** |

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 in € 000 | 2013 | 2012 |
|---|---|---|
| **Cash reserve** | **6,674,226** | **6,556,723** |
| **Trading assets** | **7,990,145** | **10,516,717** |
| Positive fair values of derivative financial instruments | 3,628,264 | 7,519,622 |
| Shares and other variable-yield securities | 407,571 | 277,250 |
| Bonds, notes and other fixed-interest securities | 3,954,310 | 2,719,843 |
| Call/time deposits from trading purposes | 0 | 2 |
| **Financial assets at fair value through profit or loss** | **6,357,600** | **8,348,221** |
| Shares and other variable-yield securities | 150,068 | 158,203 |
| Bonds, notes and other fixed-interest securities | 6,207,532 | 8,190,018 |
| **Investments in associates** | **5,035** | **4,935** |
| **Financial assets available-for-sale** | **2,905,296** | **455,940** |
| Investments in other affiliated companies | 404,105 | 338,233 |
| Other interests | 66,252 | 117,707 |
| Bonds, notes and other fixed-interest securities | 2,434,939 | 0 |
| Shares and other variable-yield securities | 0 | 0 |
| **Loans and advances** | **99,071,433** | **102,017,421** |
| Loans and advances to banks | 22,243,221 | 22,323,046 |
| Loans and advances to customers | 80,634,618 | 83,298,327 |
| Other non-derivative financial assets | 1,799,069 | 2,037,945 |
| Impairment losses on loans and advances | (5,605,475) | (5,641,897) |
| **Financial assets held-to-maturity** | **4,219,807** | **4,596,495** |
| Bonds, notes and other fixed-interest securities | 4,219,807 | 4,551,298 |
| Purchased loans | 0 | 45,197 |
| **Derivatives (hedging)** | **573,004** | **701,663** |
| Positive fair values of derivatives (hedging) | 573,004 | 701,663 |
| **Other assets** | **2,843,266** | **2,917,907** |
| Intangible and tangible fixed assets | 2,843,266 | 2,917,907 |
| **Total assets** | **130,639,813** | **136,116,023** |

| Equity and liabilities according to measurement categories in € 000 | 2013 | 2012 |
|---|---|---|
| **Trading liabilities** | **5,455,766** | **9,176,113** |
| Negative fair values of derivative financial instruments | 4,278,676 | 7,798,924 |
| Call/time deposits from trading purposes | 0 | 10,045 |
| Short-selling of trading assets | 551,459 | 622,164 |
| Certificates issued | 625,631 | 744,980 |
| **Financial liabilities** | **111,342,320** | **111,868,331** |
| Deposits from banks | 30,104,866 | 30,186,449 |
| Deposits from customers | 66,436,636 | 66,297,151 |
| Debt securities issued | 9,411,146 | 10,812,467 |
| Subordinated capital | 3,636,812 | 3,056,925 |
| Other non-derivative financial liabilities | 1,752,861 | 1,515,338 |
| **Liabilities at fair value through profit and loss** | **2,612,277** | **3,357,758** |
| Debt securities issued | 2,121,500 | 2,477,634 |
| Subordinated capital | 490,777 | 880,124 |
| **Derivatives (hedging)** | **132,536** | **119,933** |
| Negative fair values of derivatives (hedging) | 132,536 | 119,933 |
| **Provisions for liabilities and charges** | **733,116** | **720,996** |
| **Equity** | **10,363,798** | **10,872,893** |
| **Total equity and liabilities** | **130,639,813** | **136,116,023** |

# (14) Cash reserve

| € 000 | 2013 | 2012 |
|---|---|---|
| Cash in hand | 2,508,670 | 2,284,449 |
| Balances at central banks | 4,165,556 | 4,272,275 |
| **Total** | **6,674,226** | **6,556,723** |

# (15) Loans and advances to banks

| € 000 | 2013 | 2012 |
|---|---|---|
| Giro and clearing business | 2,563,784 | 1,923,107 |
| Money market business | 16,627,131 | 17,757,296 |
| Loans to banks | 2,623,960 | 2,129,981 |
| Purchased loans | 192,588 | 157,205 |
| Leasing claims | 175 | 395 |
| Claims evidenced by paper | 235,584 | 355,317 |
| **Total** | **22,243,221** | **22,323,301** |

Of the purchased loans amounting to € 192,588 thousand, € 192,588 thousand are assigned to the measurement category loans and advances (2012: € 156,949 thousand); there were no purchased loans assigned to the measurement category held-to-maturity (2012: € 255 thousand).

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

| € 000 | 2013 | 2012 |
|---|---|---|
| Austria | 8,297,340 | 10,046,024 |
| Foreign | 13,945,881 | 12,277,277 |
| **Total** | **22,243,221** | **22,323,301** |

# (16) Loans and advances to customers

| € 000 | 2013 | 2012 |
|---|---|---|
| Credit business | 51,926,456 | 53,802,987 |
| Money market business | 4,403,067 | 4,182,057 |
| Mortgage loans | 19,114,884 | 21,018,084 |
| Purchased loans | 1,442,344 | 1,073,785 |
| Leasing claims | 2,933,520 | 2,908,987 |
| Claims evidenced by paper | 814,347 | 357,369 |
| **Total** | **80,634,618** | **83,343,269** |

Purchased loans amounting to € 1,442,344 thousand (2012: € 1,028,844 thousand) are assigned to the measurement category loans and advances. There were no purchased loans classified as held-to-maturity (2012: € 44,941 thousand).

| € 000 | 2013 | 2012 |
|---|---|---|
| Sovereigns | 1,647,511 | 1,387,000 |
| Corporate customers – large corporates[1] | 49,319,989 | 52,250,067 |
| Corporate customers – mid market | 3,089,211 | 3,271,514 |
| Retail customers – private individuals | 23,755,815 | 23,489,033 |
| Retail customers – small and medium-sized entities | 2,822,092 | 2,945,655 |
| **Total** | **80,634,618** | **83,343,269** |

1 Adaption of previous year figures due to different allocation.

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

| € 000 | 2013 | 2012 |
|---|---|---|
| Austria | 7,224,427 | 8,399,306 |
| Foreign | 73,410,191 | 74,943,963 |
| **Total** | **80,634,618** | **83,343,269** |

# (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 | 2013 | 2012 |
|---|---|---|
| Banks | 118,162 | 157,719 |
| Sovereigns | 6,146 | 11,336 |
| Corporate customers – large corporates | 2,836,613 | 2,835,571 |
| Corporate customers – mid market | 531,049 | 387,434 |
| Retail customers – private individuals | 1,776,866 | 1,881,331 |
| Retail customers – small and medium-sized entities | 336,639 | 368,507 |
| **Total** | **5,605,475** | **5,641,897** |

Loans and advances and loan loss provisions according to Basel II asset classes are shown in the following table:

| 2013<br>€ 000 | Fair value | Carrying amount | Individually impaired assets | Individual loan loss provision | Portfolio-based loan loss provisions | Net carrying amount |
|---|---|---|---|---|---|---|
| Banks | 22,167,673 | 22,243,221 | 148,678 | 111,447 | 6,715 | 22,125,059 |
| Sovereigns | 1,504,727 | 1,647,511 | 27,903 | 5,115 | 1,031 | 1,641,365 |
| Corporate customers – large corporates | 44,830,968 | 49,299,772 | 4,814,452 | 2,579,769 | 257,065 | 46,462,937 |
| Corporate customers – mid market | 2,582,349 | 3,089,211 | 556,252 | 497,748 | 33,301 | 2,558,162 |
| Retail customers – private individuals | 22,587,996 | 23,776,034 | 2,341,968 | 1,617,694 | 159,172 | 21,999,167 |
| Retail customers – small and medium-sized entities | 2,518,638 | 2,822,092 | 462,536 | 309,813 | 26,604 | 2,485,675 |
| **Total** | **96,192,351** | **102,877,841** | **8,351,789** | **5,121,587** | **483,889** | **97,272,366** |

| 2012<br>€ 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 | 52,249,552 | 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 | 23,489,548 | 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 |
| **Total** | **100,215,287** | **105,666,570** | **7,875,250** | **4,738,907** | **902,990** | **100,024,672** |

### Impaired financial assets

| 2013<br>€ 000 | Individually impaired assets | Individual loan loss provisions | Impairments and collaterals<br>Individually impaired assets after deduction of ILLP | Collaterals for individually impaired assets | Interest on individually impaired assets |
|---|---|---|---|---|---|
| Banks | 148,678 | 111,447 | 37,231 | 25,283 | 228 |
| Sovereigns | 27,903 | 5,115 | 22,788 | 22,380 | 1,721 |
| Corporate customers – large corporates | 4,814,452 | 2,579,769 | 2,234,683 | 1,392,743 | 98,182 |
| Corporate customers – mid market | 556,252 | 497,748 | 58,504 | 292,795 | 18,849 |
| Retail customers – private individuals | 2,341,968 | 1,617,694 | 724,274 | 587,888 | 74,766 |
| Retail customers – small and medium-sized entities | 462,536 | 309,813 | 152,723 | 64,127 | 7,765 |
| Other | 0 | 0 | 0 | 0 | 0 |
| **Total** | **8,351,789** | **5,121,587** | **3,230,203** | **2,385,215** | **201,511** |

ILLP: individual loan loss provisions

| 2012<br>€ 000 | Individually impaired assets | Individual loan loss provisions | Impairments and collaterals<br>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 |
| Other | 0 | 0 | 0 | 0 | 0 |
| **Total** | **7,875,250** | **4,738,907** | **3,136,342** | **2,195,438** | **205,361** |

ILLP: individual loan loss provisions

# (18) Trading assets

| € 000 | 2013 | 2012 |
|---|---|---|
| **Bonds, notes and other fixed-interest securities** | **3,954,310** | **2,719,843** |
| Treasury bills and bills of public authorities eligible for refinancing | 1,321,466 | 1,070,506 |
| Other securities issued by the public sector | 605,762 | 742,960 |
| Bonds and notes of non-public issuers | 2,027,082 | 906,378 |
| **Shares and other variable-yield securities** | **407,571** | **277,250** |
| Shares | 382,840 | 255,635 |
| Mutual funds | 21,163 | 7,333 |
| Other variable-yield securities | 3,568 | 14,282 |
| **Positive fair values of derivative financial instruments** | **3,219,217** | **6,816,197** |
| Interest-based transactions | 2,559,487 | 6,000,512 |
| Currency-based transactions | 579,790 | 690,416 |
| Equity-/index-based transactions | 59,334 | 106,630 |
| Credit derivatives business | 10,274 | 14,992 |
| Other transactions | 10,332 | 3,647 |
| **Call/time deposits from trading purposes** | **0** | **2** |
| **Total** | **7,581,097** | **9,813,293** |

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 (39) Transferred assets, genuine sale and repurchase agreements.

# (19) Derivatives

| € 000 | 2013 | 2012 |
|---|---|---|
| **Positive fair values of derivatives in fair value hedges (IAS 39)** | **543,598** | **697,885** |
| Interest-based transactions | 543,598 | 697,885 |
| **Positive fair values of derivatives in cash flow hedges (IAS 39)** | **6,305** | **3,779** |
| Interest-based transactions | 593 | 0 |
| Currency-based transactions | 5,712 | 3,779 |
| **Positive fair values of derivatives in net investment hedge (IAS 39)** | **23,101** | **21,324** |
| Currency-based transactions | 23,101 | 21,324 |
| **Positive fair values of credit derivatives** | **51** | **1,206** |
| **Positive fair values of other derivatives** | **408,996** | **680,894** |
| Interest-based transactions | 269,346 | 548,071 |
| Currency-based transactions[1] | 139,651 | 132,663 |
| Other transactions | 0 | 160 |
| **Total** | **982,052** | **1,405,088** |

1Adaption of previous year figures due to different allocation.

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 | 2013 | 2012 |
|---|---|---|
| 1 year | 386,155 | 139 |
| 1 year to 5 years | 1,424,405 | 3,335 |
| More than 5 years | 3,414,260 | 273,014 |

# (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 | 2013 | 2012 |
|---|---|---|
| **Bonds, notes and other fixed-interest securities** | **12,862,278** | **12,741,316** |
| Treasury bills and bills of public authorities eligible for refinancing | 7,453,473 | 6,456,392 |
| Other securities issued by the public sector | 3,214,637 | 3,923,146 |
| Bonds and notes of non-public issuers | 2,173,835 | 2,341,446 |
| Money market instruments | 0 | 0 |
| Other | 20,333 | 20,333 |
| **Shares and other variable-yield securities** | **150,068** | **158,203** |
| Shares | 27,924 | 30,020 |
| Mutual funds | 118,858 | 124,893 |
| Other variable-yield securities | 3,287 | 3,290 |
| **Equity participations** | **470,357** | **455,941** |
| Interest in affiliated companies | 404,105 | 338,233 |
| Other interests | 66,252 | 117,707 |
| **Total** | **13,482,703** | **13,355,459** |

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 (39) 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 2013, the carrying amount totaled € 163,427 thousand and the fair value totaled € 166,148 thousand. In 2013, a result from the reclassified securities of € 7,470 thousand (2012: € 12,074 thousand) was shown in the income statement. If the reclassification had not been made, a loss of € 345 thousand (2012: gain of € 13,122 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. As of 31 December 2013, the carrying amount was € 89,006 thousand.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 61,850 thousand (2012: € 61,345 thousand).

For Raiffeisenbank a.s., Prague, a syndicate contract exists between RBI AG and the joint shareholder. The syndicate contract regulates 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, Minsk: 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 | 2013 | 2012 |
|---|---|---|
| Investments in associates | 5,035 | 4,935 |

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) | 90,066 | 4,307 | 366 | 15,021 |

The above-mentioned information is based on preliminary figures of the current financial year. Further information regarding associated companies is stated under note (58) List of equity participations.

# (22) Intangible fixed assets

| € 000 | 2013 | 2012 |
|---|---|---|
| Goodwill | 544,163 | 557,607 |
| Software | 545,326 | 565,634 |
| Other intangible fixed assets | 159,220 | 197,770 |
| hereof brand | 111,447 | 118,999 |
| hereof customer base | 35,280 | 41,609 |
| **Total** | **1,248,709** | **1,321,011** |

The item "software" comprises acquired software amounting to € 464,773 thousand (2012: € 485,979 thousand) and developed software amounting to € 80,553 thousand (2012: € 79,654 thousand).

# Goodwill

The following overview shows the development of the book value of goodwill, gross amounts and cumulative impairments of goodwill by cash generating units. Main goodwill positions are reported in 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., Tirana (RBAL) and Raiffeisenbank a.s., Prague (RBCZ). They developed as follows:

### Development of goodwill

| 2013<br>€ 000 | AVAL | RBAL | RBCZ | RBPL | RBRU | Other | Total |
|---|---|---|---|---|---|---|---|
| **As of 1/1** | **0** | **50,850** | **40,700** | **175,052** | **266,325** | **24,680** | **557,607** |
| Additions | 0 | 0 | 0 | 25,600 | 0 | 1,173 | 26,773 |
| Impairment | 0 | 0 | 0 | 0 | 0 | (2,948) | (2,948) |
| Exchange rate changes | 0 | (221) | (3,377) | (2,329) | (29,351) | (1,990) | (37,269) |
| **As of 31/12** | **0** | **50,628** | **37,323** | **198,323** | **236,974** | **20,915** | **544,163** |
| Gross amount | 226,079 | 56,403 | 37,323 | 198,323 | 236,974 | 41,242 | 796,344 |
| Cumulative impairment | (226,079) | (5,775) | 0 | 0 | 0 | (20,326) | (252,181) |

| 2012<br>€ 000 | AVAL | RBAL | RBCZ | RBPL | RBRU | Other | Total |
|---|---|---|---|---|---|---|---|
| **As of 1/1** | **29,138** | **52,650** | **39,697** | **0** | **257,171** | **29,801** | **408,456** |
| Additions | 0 | 0 | 0 | 174,170 | 0 | 2,946 | 177,116 |
| Impairment | (28,476) | 0 | 0 | 0 | 0 | (9,986) | (38,463) |
| Exchange rate changes | (661) | (1,801) | 1,004 | 882 | 9,154 | 1,919 | 10,497 |
| **As of 31/12** | **0** | **50,850** | **40,700** | **175,052** | **266,325** | **24,680** | **557,607** |
| Gross amount | 236,899 | 56,650 | 40,700 | 175,052 | 266,325 | 41,487 | 817,113 |
| Cumulative impairment | (236,899) | (5,800) | 0 | 0 | 0 | (16,807) | (259,507) |

In 2013, a goodwill adjustment in the amount of € 25,600 thousand was registered at Raiffeisen Bank Polska S.A. due to new information and facts that emerged during the reporting period. In 2012, impairment of goodwill at Group level amounted to € 38,463 thousand. The highest impairment (€ 29,138 thousand) was registered at Ukrainian Raiffeisen Bank Aval JSC due to cyclical forecast for Ukraine and an increase in discount rate (rating downgrade of Ukraine and higher estimated value of risk premium for shares). In 2013, impairment of goodwill amounting to € 2,948 thousand was made in the Group units in the Czech Republic, Hungary and Belarus.

### Impairment test for goodwill

At the end of each financial year, goodwill is examined with a view to its future economic utility on the basis of cash generating units. The carrying value of the cash generating unit (including any allocated goodwill and other intangible assets) is compared with its recoverable value. In line with IAS 36, impairment tests for goodwill are carried out during the year in case a reason for impairment occurs.

### Recoverable value

In the financial year 2013 RBI identified the recoverable value of cash generating units on the basis of the use value with a dividend discount model. The dividend discount model reflects the characteristics of the banking business and the regulatory framework. The model is used to calculate the present value of estimated future dividends that can be distributed to shareholders after the relevant regulatory capital requirements have been fulfilled.

The dividend discount model uses dividend forecasts and respective capitalization measures based on a five-year period. Expected results that go beyond the five-year period are determined via the present value of a perpetuity taking into account a long-term growth rate. In case the recoverable value of a cash generating unit is lower than the carrying value an impairment is measured in the amount of the difference between the two values. The impairment loss is recognized in the income statement under other net operating income.

## Key assumptions

The following table shows key assumptions that have been made for the individual cash generating units:

| 2013<br>Cash generating units | RBAL | RBCZ | RBPL | RBRU |
|---|---|---|---|---|
| Discount rates (after tax) | 14.7% - 17.6% | 10.0% - 10.6% | 10.7% - 12.3% | 13.7% - 16.4% |
| Growth rates in phase I and II | 7.8% | n.a. | n.a. | 15.1% |
| Growth rates in phase III | 5.9% | 3.3% | 5.5% | 6.9% |
| Planning period | 5 years | 5 years | 5 years | 5 years |

In 2012, RBI determined the recoverable value on the basis of the net realizable value; using the following parameters:

| 2012<br>Cash generating units | RBAL | RBCZ | RBPL | RBRU |
|---|---|---|---|---|
| Discount rates (after tax) | 12.5% - 16.8% | 9.9% - 12.4% | 10.4% - 12.8% | 13.7% - 17.9% |
| Growth rates in phase I and II | 1.4% | 17.8% | n.a. | 1.9% |
| Growth rates in phase III | 4.0% | 2.5% | 3.0% | 6.1% |
| Planning period | 10 years | 10 years | 10 years | 10 years |

The use value of a cash generating unit is sensitive to various parameters, primarily to the level and development of future dividends, to the discount rates as well as the nominal growth rate in the steadying phase. The applied discount rates have been calculated using the capital asset pricing model: they are composed of a risk-free interest rate and a risk premium for entrepreneurial risk taking. The risk premium is calculated as the market risk premium that varies according to the country in which the unit is registered multiplied by the beta factor for the indebted company. The values for the risk-free interest rate and the market risk premium are defined using external information sources. The risk measure beta factor has been derived from a peer group of financial institutions operating in Western and Eastern Europe. The above-mentioned interest rate parameters represent market assessments; therefore they are not stable and could in case of a change affect the discount rates.

The following table provides a summary of significant planning assumptions per cash generating unit and a description of the management approach to identify the values that are assigned to each significant assumption under consideration of a risk assessment.

| Cash generating unit | Significant assumptions | Management approach | Risk assumption |
|---|---|---|---|
| RBPL | Poland is a key market for the Group where it pushes for stronger growth, taking into account the risk policy. After the merger with Polish Polbank EFG S. A. (Polbank), establishment as a strong universal bank on the Polish market. Strict cost management to make the merged bank more efficient. | The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the initial planning phase was approved by the local supervisory boards. | Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition. |
| RBRU | Russia is a key market for the Group where it pushes for stronger growth, taking into account the risk policy. Stronger engagement in the retail sector. Strengthening revenue by using higher net interest margin in the retail sector and cross-selling initiatives. Simultaneous focus on efficiency and cost management. | The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the initial planning phase was approved by the local supervisory boards. | Weakening of the macroeconomic environment. Strong dependence on raw materials. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition. |
| RBAL | Expansion of product range in the retail sector (payment transfer business, insurances, etc.). In addition, stronger focus on lending and the resulting increase in revenue from both interest income and commissions. Further increases in efficiency and cost management. | The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the initial planning phase was approved by the local supervisory boards. | Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins and fee income through other aggressive market participants. |
| RBCZ | Czech Republic is a core market for the Group where selective growth strategy is pursued. Improvement through increased use of alternative distribution channels and additional consulting services. Stable costs are assumed. | The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the initial planning phase was approved by the local supervisory boards. | Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition. |

RBPL: Raiffeisen Bank Polska S.A., Warsaw
RBRU: ZAO Raiffeisenbank, Moscow
RBAL: Raiffeisen Bank Sh.a., Tirana
RBCZ: Raiffeisenbank a.s., Prague

## Sensitivity analysis

A sensitivity analysis was carried out based on the above-mentioned assumptions in order to test the stability of the impairment test for goodwill. From a number of options for this analysis, two parameters were selected, namely, the cost of equity and the reduction of the growth rate. The following overview demonstrates to what extent an increase in the cost of equity or a reduction in the long-term growth rate could be made without the value in use of cash generating units declining below the respective carrying value (equity capital plus goodwill) in 2013.

| 2013<br>Maximum sensitivity[1] | RBAL | RBCZ | RBPL | RBRU |
|---|---|---|---|---|
| Increase in discount rate | 0.3 PP | 2.2 PP | 0.8 PP | 7.9 PP |
| Reduction of the growth rates in phase III | 1.3 PP | 3.8 PP | 1.2 PP | 17.0 PP |

1 The respective maximum sensitivity refers to the change of the perpetuity.

The reference values for 2012 based on the net realizable value were as follows:

| 2012<br>Maximum sensitivity[1] | RBAL | RBCZ | RBPL | RBRU |
|---|---|---|---|---|
| Increase in discount rate | 5.3 PP | 1.5 PP | 0.8 PP | 2.8 PP |
| Reduction of the growth rates in phase III | 9.7 PP | 3.9 PP | 3.2 PP | 9.5 PP |

1 The respective maximum sensitivity refers to the change of the perpetuity.

The recoverable values of all other units have been either significantly higher than the respective book values or immaterial.

## Brand

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 are tested annually in the course of the impairment test of goodwill per cash generating unit and additionally whenever indications of impairment arise.

Brand rights are only recognized for Raiffeisen Bank Aval JSC, Kiev (AVAL) and for Raiffeisen Bank Polska S.A., Warsaw (RBPL). The carrying values of the brands as well as gross amounts and cumulative impairment losses have developed as shown below:

| 2013<br>€ 000 | RBPL | AVAL | Total |
|---|---|---|---|
| **As of 1/1** | **49,092** | **69,907** | **118,999** |
| Additions | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 |
| Exchange differences | (4,359) | (3,193) | (7,552) |
| **As of 31/12** | **44,733** | **66,715** | **111,447** |
| Gross amount | 44,733 | 66,715 | 111,447 |
| Cumulative impairment | 0 | 0 | 0 |

| 2012<br>€ 000 | RBPL | AVAL | Total |
|---|---|---|---|
| **As of 1/1** | **0** | **71,531** | **71,531** |
| Additions | 47,951 | 0 | 47,951 |
| Impairment | 0 | 0 | 0 |
| Exchange differences | 1,141 | (1,623) | (482) |
| **As of 31/12** | **49,092** | **69,907** | **118,999** |
| Gross amount | 49,092 | 69,907 | 118,999 |
| Cumulative impairment | 0 | 0 | 0 |

The value of the Raiffeisen Bank Aval JSC, Kiev (AVAL), was determined using the comparable historical cost approach, because neither immediately comparable transctions nor a market with observable prices was 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. In 2013 and 2012, impairment tests showed no impairment of the brand.

The value of the Polbank brand was determined using the relief from royalty method, because neither immediately comparable transactions nor a market with observable prices was available at the time of purchase price allocation. Underlying premise of this method is that the brand has a fair value equal to the present value of the royalty income attributable to it. In 2013, impairment tests showed no impairment of the brand.

## Customer Relationships

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.

| 2013<br>€ 000 | RBPL | AVAL | Total |
|---|---|---|---|
| **As of 1/1** | **16,128** | **25,481** | **41,609** |
| Additions | 0 | 0 | 0 |
| Depreciation | (1,675) | (2,159) | (3,834) |
| Impairment | 0 | 0 | 0 |
| Exchange differences | (1,332) | (1,164) | (2,495) |
| **As of 31/12** | **13,122** | **22,159** | **35,280** |
| Gross amount | 15,746 | 43,170 | 58,916 |
| Cumulative impairment | (2,624) | (21,011) | (23,636) |

| 2012<br>€ 000 | RBPL | AVAL | Total |
|---|---|---|---|
| **As of 1/1** | **0** | **33,943** | **33,943** |
| Additions | 16,879 | 0 | 16,879 |
| Depreciation | (1,135) | (2,312) | (3,447) |
| Impairment | 0 | (3,432) | (3,432) |
| Exchange differences | 384 | (2,718) | (2,334) |
| **As of 31/12** | **16,128** | **25,481** | **41,609** |
| Gross amount | 17,280 | 45,236 | 62,516 |
| Cumulative impairment | (1,152) | (19,755) | (20,907) |

The impairment test of customer relationships of Raiffeisenbank Aval JSC, Kiev (AVAL), identified no impairment loss in 2013. In 2012, the impairment loss in the amount of € 3,432 thousand related to the customer base for the corporate customers segment which was recognized at the date of initial consolidation

The impairment test of customer relationships of Raiffeisen Bank Polska S.A., Warsaw (RBPL), identified no impairment loss in 2013.

# (23) Tangible fixed assets

| € 000 | 2013 | 2012 |
|---|---|---|
| Land and buildings used by the Group for own purpose | 711,804 | 721,830 |
| Other land and buildings (investment property) | 207,531 | 149,950 |
| Office furniture, equipment and other tangible fixed assets | 398,679 | 428,861 |
| Leased assets (operating lease) | 276,544 | 296,255 |
| **Total** | **1,594,558** | **1,596,896** |

The fair value of investment property totaled € 209,414 thousand (2012: € 151,657 thousand).

# (24) Development of fixed assets

| | Cost of acquisition or conversion | | | | | | |
|---|---|---|---|---|---|---|---|
| € 000 | As of 1/1/2013 | Change in consolidated group | Exchange differences | Additions | Disposals | Transfers | As of 31/12/2013 |
| **Intangible fixed assets** | **2,440,828** | **41** | **(90,318)** | **225,030** | **(103,863)** | **(116)** | **2,471,602** |
| Goodwill | 817,113 | 0 | (47,542) | 26,773 | 0 | 0 | 796,344 |
| Software | 1,357,852 | 41 | (34,113) | 193,461 | (103,233) | 59,204 | 1,473,212 |
| Other intangible fixed assets | 265,863 | 0 | (8,663) | 4,796 | (630) | (59,320) | 202,046 |
| **Tangible fixed assets** | **2,787,165** | **91,058** | **(110,754)** | **252,200** | **(170,785)** | **116** | **2,849,000** |
| Land and buildings used by the Group for own purpose | 960,386 | 17,371 | (40,758) | 47,694 | (23,688) | 7,416 | 968,421 |
| Other land and buildings | 173,727 | 72,314 | (11,648) | 25,503 | (4,204) | (18,019) | 237,673 |
| of which land value of developed land | 13,542 | 0 | (258) | 161 | 0 | 0 | 13,445 |
| Office furniture, equipment and other tangible fixed assets | 1,269,830 | 1,373 | (48,723) | 136,048 | (84,485) | 84 | 1,274,127 |
| Leased assets (operating lease) | 383,222 | 0 | (9,625) | 42,955 | (58,408) | 10,635 | 368,779 |
| **Total** | **5,227,993** | **91,099** | **(201,072)** | **477,230** | **(274,648)** | **0** | **5,320,602** |

| | Write-ups, amortization, depreciation, impairment | | | Carrying amount |
|---|---|---|---|---|
| € 000 | Cumulative | hereof Write-ups | hereof Depreciation | 31/12/2013 |
| **Intangible fixed assets** | **(1,222,893)** | **154** | **(222,313)** | **1,248,709** |
| Goodwill | (252,181) | 0 | (2,948) | 544,163 |
| Software | (927,886) | 154 | (214,175) | 545,326 |
| Other intangible fixed assets | (42,826) | 0 | (5,190) | 159,220 |
| **Tangible fixed assets** | **(1,254,444)** | **13,857** | **(211,547)** | **1,594,558** |
| Land and buildings used by the Group for own purpose | (256,617) | 1,421 | (40,859) | 711,804 |
| Other land and buildings | (30,142) | 2,608 | (4,377) | 207,531 |
| of which land value of developed land | (6) | 0 | 0 | 13,439 |
| Office furniture, equipment and other tangible fixed assets | (875,450) | 9,828 | (132,687) | 398,679 |
| Leased assets (operating lease) | (92,235) | 0 | (33,624) | 276,544 |
| **Total** | **(2,477,338)** | **14,011** | **(433,860)** | **2,843,266** |

In 2013, additions to intangible and tangible fixed assets include single investments exceeding € 10,000 thousand in Russia and in Group head office.

| | Cost of acquisition or conversion | | | | | | |
|---|---|---|---|---|---|---|---|
| € 000 | As of 1/1/2012 | Change in consolidated group | Exchange differences | Additions | Disposals | Transfers | As of 31/12/2012 |
| **Intangible fixed assets** | **1,999,984** | **284,664** | **23,184** | **201,244** | **(68,278)** | **30** | **2,440,828** |
| 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 |
| **Tangible fixed assets** | **2,587,956** | **78,085** | **25,051** | **329,896** | **(233,793)** | **(30)** | **2,787,165** |
| 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 |
| **Total** | **4,587,940** | **362,749** | **48,235** | **531,140** | **(302,071)** | **0** | **5,227,993** |

| € 000 | Write-ups, amortization, depreciation, impairment Cumulative | hereof Write-ups | hereof Depreciation | Carrying amount 31/12/2012 |
|---|---|---|---|---|
| **Intangible fixed assets** | **(1,119,817)** | **0** | **(217,535)** | **1,321,011** |
| 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 |
| **Tangible fixed assets** | **(1,190,269)** | **8,271** | **(221,621)** | **1,596,896** |
| 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 |
| **Total** | **(2,310,086)** | **8,271** | **(439,156)** | **2,917,907** |

In 2012, 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 | 2013 | 2012 |
|---|---|---|
| Tax assets | 601,338 | 505,416 |
| Current tax assets | 112,379 | 51,924 |
| Deferred tax assets | 488,959 | 453,492 |
| Receivables arising from non-banking activities | 92,742 | 103,275 |
| Prepayments and other deferrals | 231,729 | 215,088 |
| Clearing claims from securities and payment transfer business | 387,532 | 553,337 |
| Lease in progress | 79,699 | 48,822 |
| Assets held for sale (IFRS 5) | 55,536 | 64,131 |
| Inventories | 146,937 | 137,942 |
| Valuation fair value hedge portfolio | 15,734 | 11,277 |
| Any other business | 187,822 | 398,658 |
| **Total** | **1,799,069** | **2,037,945** |

Deferred taxes break down as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Deferred tax assets | 488,959 | 453,492 |
| Provisions for deferred taxes | (28,601) | (25,993) |
| **Net deferred taxes** | **460,358** | **427,499** |

The net deferred taxes result from the following items:

| € 000 | 2013 | 2012 |
|---|---|---|
| Loans and advances to customers | 135,478 | 141,848 |
| Impairment losses on loans and advances | 172,214 | 190,979 |
| Tangible and intangible fixed assets | 12,895 | 10,222 |
| Other assets | 10,144 | 9,724 |
| Provisions for liabilities and charges | 64,586 | 43,676 |
| Trading liabilities | 13,508 | 15,379 |
| Other liabilities | 64,583 | 69,742 |
| Tax loss carry-forwards | 189,493 | 206,749 |
| Other items of the statement of financial position | 194,901 | 60,287 |
| **Deferred tax assets** | **857,802** | **748,606** |
| Loans and advances to banks | 7 | 1,784 |
| Loans and advances to customers | 35,990 | 42,576 |
| Impairment losses on loans and advances | 68,418 | 61,598 |
| Trading assets | 4,839 | 20,495 |
| Tangible and intangible fixed assets | 83,074 | 93,202 |
| Deposits from customers | 467 | 756 |
| Provisions for liabilities and charges | 28 | 81 |
| Other liabilities | 3,958 | 3,067 |
| Other items of the statement of financial position | 200,663 | 97,548 |
| **Deferred tax liabilities** | **397,444** | **321,106** |
| **Net deferred taxes** | **460,358** | **427,499** |

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 189,493 thousand (2012: € 206,749 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 155,766 thousand (2012: € 111,132 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 | 2013 | 2012 |
|---|---|---|
| Giro and clearing business | 3,558,755 | 3,524,042 |
| Money market business | 20,104,115 | 18,275,848 |
| Long-term refinancing | 6,441,996 | 8,386,559 |
| **Total** | **30,104,866** | **30,186,449** |

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 | 2013 | 2012 |
|---|---|---|
| Austria | 16,775,156 | 13,597,606 |
| Foreign | 13,329,710 | 16,588,843 |
| **Total** | **30,104,866** | **30,186,449** |

# (27) Deposits from customers

| € 000 | 2013 | 2012 |
|---|---|---|
| Sight deposits | 32,390,300 | 30,045,874 |
| Time deposits | 31,223,158 | 34,004,747 |
| Savings deposits | 2,823,178 | 2,246,530 |
| **Total** | **66,436,636** | **66,297,151** |

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

| € 000 | 2013 | 2012 |
|---|---|---|
| Sovereigns | 820,198 | 1,078,614 |
| Corporate customers – large corporates | 31,439,453 | 29,071,946 |
| Corporate customers – mid market | 2,418,526 | 2,495,368 |
| Retail customers – private individuals | 27,058,857 | 29,139,762 |
| Retail customers – small and medium-sized entities | 4,279,701 | 3,893,733 |
| Other | 419,901 | 617,727 |
| **Total** | **66,436,636** | **66,297,151** |

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

| € 000 | 2013 | 2012 |
|---|---|---|
| Austria | 5,619,030 | 5,577,733 |
| Foreign | 60,817,606 | 60,719,417 |
| **Total** | **66,436,636** | **66,297,151** |

# (28) Debt securities issued

| € 000 | 2013 | 2012 |
|---|---|---|
| Bonds and notes issued | 11,060,732 | 12,767,128 |
| Money market instruments issued | 427,950 | 368,123 |
| Other debt securities issued | 43,963 | 154,850 |
| **Total** | **11,532,646** | **13,290,102** |

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 | XS0803117612 | senior public placements | EUR | 750,000 | 2.8% | 10/7/2017 |
| RBI AG | XS0989620694 | senior public placements | EUR | 500,000 | 1.9% | 8/11/2018 |
| RBI AG | XS0753479525 | senior public placements | EUR | 499,200 | 2.9% | 6/3/2015 |
| RBI AG | XS0903449865 | senior public placements | EUR | 250,000 | 0.8% | 19/3/2015 |

# (29) Provisions for liabilities and charges

| € 000 | As of 1/1/2013 | Change in consolidated group | Allocation | Release | Usage | Transfers, exchange differences | As of 31/12/2013 |
|---|---|---|---|---|---|---|---|
| Severance payments and other | 65,546 | (70) | 7,301 | (52) | (2,787) | (1,285) | 68,654 |
| Retirement benefits | 27,574 | 0 | 1,360 | 0 | (3,649) | 18 | 25,302 |
| Taxes | 109,031 | 1,012 | 79,522 | (21,865) | (70,003) | (4,828) | 92,868 |
| Current | 83,038 | (4) | 66,856 | (13,819) | (69,916) | (1,887) | 64,268 |
| Deferred | 25,993 | 1,016 | 12,666 | (8,046) | (87) | (2,941) | 28,601 |
| Contingent liabilities and commitments | 151,342 | 0 | 56,948 | (79,954) | (1,055) | (8,099) | 119,182 |
| Pending legal issues | 54,244 | (9) | 10,871 | (9,775) | (949) | (693) | 53,691 |
| Overdue vacation | 55,862 | 0 | 8,674 | (5,342) | (37) | (2,025) | 57,132 |
| Bonus payments | 194,193 | 0 | 208,397 | (24,700) | (137,555) | (9,597) | 230,737 |
| Restructuring | 15,800 | 0 | 219 | (2,409) | (4,217) | (561) | 8,831 |
| Other | 47,403 | (739) | 95,905 | (43,265) | (21,981) | (606) | 76,717 |
| **Total** | **720,996** | **195** | **469,197** | **(187,363)** | **(242,232)** | **(27,677)** | **733,116** |

Severance and similar payments include provisions for anniversary bonuses and other payments in the amount of € 16,954 thousand (2012: € 15,393 thousand) and obligations from other benefits due to termination of employment according to IAS 19R in the amount of € 51,700 thousand (2012: € 50,153 thousand).

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 € 53,691 thousand (2012: € 54,244 thousand). Single cases exceeding € 10,000 thousand occurred in Slovakia and Ukraine.

## Pension obligations and other termination benefits

RBI contributes to the following defined benefit pension plans and other post-employment benefits:

- Defined benefit pension plans in Austria and other countries
- Other post-employment benefits in Austria and other countries
- These defined benefit plans and other post-employment benefits expose RBI to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

### Funding

For pensions there are different plans: 100 per cent unfunded, partly funded and 100 per cent funded. The partly and fully funded plans are all funded by the Valida Pension AG. Valida Pension AG is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

RBI expects to pay € 452 thousand in contributions to its defined benefit plans in 2014.

## Pension obligations/defined benefit pension plans

### Financial status

| € 000 | 2013 | 2012 |
|---|---|---|
| Defined benefit obligation (DBO) | 38,206 | 40,876 |
| Plan assets at fair value | (12,904) | (13,314) |
| Net liability/asset | 25,302 | 27,562 |

The defined benefit obligations developed as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| **DBO as of 1/1** | **40,876** | **35,986** |
| Changes in consolidated group | 0 | 0 |
| FX differences DBO | 0 | 0 |
| Current service cost | 1,217 | 914 |
| Interest cost | 1,433 | 1,533 |
| Payments | (1,515) | (178) |
| Transfer | (443) | (499) |
| Remeasurement | (3,362) | 3,121 |
| **DBO as of 31/12** | **38,206** | **40,876** |

Plan assets developed as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Plan assets at fair value as of 1/1** | **13,314** | **12,673** |
| Changes in consolidated group | 0 | 0 |
| FX differences plan asssets | 0 | 0 |
| Interest income | 468 | 574 |
| Contributions to plan assets | 493 | 639 |
| Payments from fund | (1,023) | (87) |
| Transfer | (407) | (628) |
| Return on plan assets excluding interest income | 59 | 144 |
| **Plan assets at fair value as of 31/12** | **12,904** | **13,314** |

The return on plan assets for 2013 was € 526,670 thousand (2012: € 718,179 thousand). For 2013, the fair value of rights to reimbursement recognized as an asset was € 12,537 thousand (2012: € 11,375 thousand).

### Structure of plan assets

Plan assets broke down as follows:

| Per cent | 2013 | 2012 |
|---|---|---|
| Bonds | 53 | 55 |
| Shares | 35 | 33 |
| Alternative Investments | 4 | 4 |
| Property | 4 | 5 |
| Cash | 4 | 3 |
| **Total** | **100** | **100** |
| hereof own financial instruments | 6 | 1 |
| hereof property occupied or other assets used by the Group or other related parties | 0 | 0 |

In 2013, most of the plan assets were quoted on an active market, less than 10 per cent were not quoted on an active market.

### Asset Liability Matching

The pension provider Valida has an asset/risk management process (ARM process). According to this process, the risk-bearing capacity of each fund is evaluated once a year. Based on this risk-bearing capacity, the investment structure of the fund is derived. When defining the investment tolerance of the customer, defined and documented requirements are also taken into account.

The defined investment structure will be implemented in the two funds named "60" and "7", in which the accrued amounts for RZB/RBI are invested with an investment concept. The weighting of predefined asset classes move between a bandwidth according to objective criteria, which can be derived from market trends. In times of stress, hedges of the equity component are made.

### Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the net defined benefit obligation:

| Per cent | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.5 | 3.5 |
| Future Pension Basis Increase | 3.0 | 3.0 |
| Future Pension Increase | 2.0 | 2.0 |

The following table shows the longevity assumptions used to calculate the net defined benefit obligation.

| Years | 2013 | 2012 |
|---|---|---|
| Longevity at age 65 for current pensioners – males | 20.7 | 20.5 |
| Longevity at age 65 for current pensioners – females | 24.2 | 24.3 |
| Longevity at age 65 for current members aged 45 – males | 23.1 | 23.2 |
| Longevity at age 65 for current members aged 45 – females | 26.4 | 26.5 |

The weighted average duration of the net defined benefit obligation was 16.0 years in 2013.

### Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | 2013 | |
|---|---|---|
| € 000 | Addition | Decrease |
| Discount rate (1 per cent change) | (4,035) | 5,095 |
| Future salary growth (0.5 per cent change) | 496 | (474) |
| Future pension increase (0.25 per cent change) | 684 | (654) |
| Remaining life expectancy (change 1 year) | 1,058 | (1,149) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## Other termination benefits

The other termination benefits developed as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| **DBO as of 1/1** | **50,153** | **46,569** |
| Changes in consolidated group | 0 | 342 |
| FX differences DBO | 0 | (13) |
| Current service cost | 3,146 | 4,082 |
| Interest cost | 1,656 | 1,849 |
| Payments | (2,736) | (5,447) |
| Loss/(gain) on DBO due to past service cost | (31) | 0 |
| Transfer | (89) | 0 |
| Remeasurement | (400) | 2,770 |
| **DBO as of 31/12** | **51,700** | **50,153** |

### Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the other termination benefits:

| Per cent | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.5 | 3.5 |
| Additional future salary increase for employees | 3.0 | 3.0 |

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | 2013 | |
|---|---|---|
| € 000 | Addition | Decrease |
| Discount rate (1 per cent change) | (5,175) | 6,153 |
| Future salary growth (0.5 per cent change) | 2,937 | (2,717) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## Employee benefit expenses

For details of employee benefit expenses (expenses for defined benefit pension plans, other benefits due to termination of employment) are stated under note (8) General administrative expenses.

# (30) Trading liabilities

| € 000 | 2013 | 2012 |
|---|---|---|
| **Negative fair values of derivative financial instruments** | **4,026,804** | **7,447,054** |
| Interest-based transactions | 2,452,611 | 5,862,841 |
| Currency-based transactions | 591,954 | 731,818 |
| Equity-/index-based transactions | 840,545 | 834,976 |
| Credit derivatives business | 8,442 | 12,892 |
| Other transactions | 133,252 | 4,528 |
| **Short-selling of trading assets** | **551,459** | **622,164** |
| **Certificates issued** | **625,631** | **744,980** |
| **Call/time deposits from trading purposes** | **0** | **10,045** |
| **Total** | **5,203,894** | **8,824,242** |

# (31) Derivatives

| € 000 | 2013 | 2012 |
|---|---|---|
| **Negative fair values of derivatives in fair value hedges (IAS 39)** | **104,123** | **117,030** |
| Interest-based transactions | 104,123 | 117,030 |
| **Negative fair values of derivatives in cash flow hedges (IAS 39)** | **28,413** | **2,903** |
| Interest-based transactions | 1,478 | 1,268 |
| Currency-based transactions | 26,935 | 1,635 |
| **Negative fair values of credit derivatives** | **279** | **854** |
| **Negative fair values of derivative financial instruments** | **251,593** | **351,017** |
| Interest-based transactions | 214,910 | 310,448 |
| Currency-based transactions | 36,581 | 40,416 |
| Equity-/index-based transactions | 0 | 5 |
| Other transactions | 102 | 148 |
| **Total** | **384,408** | **471,804** |

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 liabilties are expected to occur and affect the statement of comprehensive income are as below:

| € 000 | 2013 | 2012 |
|---|---|---|
| 1 year | 2,119,904 | 2,017,103 |
| 1 year to 5 years | 22,864 | 6,185 |
| More than 5 years | 33,366 | 93,452 |

Net losses of € 16,364 thousand (2012: minus € 1,245 thousand) relating to the effective portion of cash flow hedges were recognized in other comprehensive income.

# (32) Other liabilities

| € 000 | 2013 | 2012 |
|---|---|---|
| Liabilities from non-banking activities | 98,465 | 96,063 |
| Liabilities from insurance contracts | 320,343 | 196,973 |
| Accruals and deferred items | 266,530 | 268,994 |
| Liabilities from dividends | 778 | 688 |
| Clearing claims from securities and payment transfer business | 551,721 | 514,941 |
| Valuation fair value hedge portfolio | 39,393 | 47,939 |
| Other liabilities[1] | 475,632 | 389,741 |
| **Total** | **1,752,861** | **1,515,338** |

1 Adaption of previous year figures due to different allocation.

## Insurance contracts

RBI Group's insurance business consists of pension products in Russia. Due to the existence of mortality risk and discretionary participation features in these products it is necessary to apply IFRS 4 for the accounting of the resulting liability. All assets related to the provision of pensions products are accounted for under IAS 39.

The table below presents an analysis of the change in insurance contract liabilities:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Carrying amount as of 1/1** | **196,973** | **114,912** |
| Additions | 135,487 | 74,049 |
| Usage | (6,143) | (2,373) |
| Other changes | 0 | 0 |
| Exchange rate changes | (21,708) | 0 |
| Investment return | 15,734 | 10,385 |
| Impact of liability adequacy test | 0 | 0 |
| **Carrying amount as of 31/12** | **320,343** | **196,973** |

Insurance contract liabilities must be regularly reviewed and subjected to a liability adequacy test. The adequacy test determines, on the basis of a comparison with estimated future cash flows, whether the carrying amount of insurance liabilities needs to be increased. In 2013, there was no charge related to the liability adequacy test.

### Presentation of risks in the insurance business

Mortality risks – The pension products expose RBI Group to insurance risk through the risk of unpredictable losses resulting from longevity of the policyholder. A stable improvement of medical services and social conditions, which increase longevity, is the most important factor for increasing longevity in Russia.

Discretionary participation feature – The pension products include a discretionary participation feature which may result in RBI Group paying customers more than the contractual minimum.

Other risks – Based on federal demography statistics data annuity rates are determined by Russian legislation and therefore subject to a degree of uncertainty.

Market risk, liquidity risk and credit risk are not material in relation to insurance contracts.

### Sensitivity analysis (insurance contracts only)

The following table presents the effect on RBI Group's profit before tax resulting from the change in mortality of the insuree:

| Change in profit before tax in € 000 | 2013 | 2012 |
|---|---|---|
| Mortality (deterioration of 50%) | 23,300 | 71,597 |

A change of 50 per cent to the mortality assumption is equal to a change in expected outstanding life-time after retirement period of three to seven years, depending on the sex-age characteristics of each group.

# (33) Subordinated capital

| € 000 | 2013 | 2012 |
|---|---|---|
| Hybrid tier 1 capital | 451,413 | 450,112 |
| Subordinated liabilities | 3,370,910 | 3,182,714 |
| Supplementary capital | 305,265 | 304,224 |
| **Total** | **4,127,589** | **3,937,049** |

The following table contains subordinated borrowings that exceed 10 per cent of the subordinated capital:

| Issuer | ISIN | Type | Currency | Nominal value in € 000 | Coupon[1] | Due |
|---|---|---|---|---|---|---|
| RBI AG | XS0619437147 | Subordinated capital | EUR | 500,000 | 6.625% | 18/5/2021 |
| RBI AG | XS0981632804 | Subordinated capital | EUR | 500,000 | 6.000% | 16/10/2023 |

1 Current interest rate, interest clauses are agreed.

In the reporting period, expenses on subordinated capital totaled € 194,914 thousand (2012: € 211,144 thousand).

# (34) Equity

| € 000 | 2013 | 2012 |
|---|---|---|
| Consolidated equity | 9,321,638 | 9,424,058 |
| Subscribed capital | 594,591 | 594,591 |
| Participation capital | 2,500,000 | 2,500,000 |
| Capital reserves | 2,575,162 | 2,574,025 |
| Retained earnings[1] | 3,651,885 | 3,755,442 |
| Consolidated profit[1] | 557,336 | 729,692 |
| Non-controlling interests | 484,824 | 719,143 |
| **Total** | **10,363,798** | **10,872,893** |

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

The development of equity is shown under the chapter statement of changes in equity.

## Subscribed capital

As of 31 December 2013, 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.

The Annual General Meeting held on 20 June 2012 also authorized the Management Board to acquire own shares for the purpose of securities trading in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG) during a period of 30 months from the date of the resolution, of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisiton. This authorization may be exercised in one or several installments by the company, by affiliated companies or, for their account, by third parties. This authorization replaces the authorization from the Annual General Meeting held on 8 July 2010 for the purpose of securities trading.

### Authorized capital

The Management Board has been authorized pursuant to Section 169 of the Austrian Joint Stock Companies Act (AktG) by the Annual General Meeting held on 26 June 2013, 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 26 June 2013, 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 39,101,024 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 119,258 thousand. The subscription right of shareholders is excluded. No convertible bonds have been issued to date, however.

### 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 € 119,258 thousand by issuing a maximum of 39,101,024 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 26 June 2013 make use of their right to convert such bonds into shares of the company.

### 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 decided on February 17, 2014 to propose at the Annual General Meeting that a dividend of € 1.02 per share be distributed from Raiffeisen Bank International AG's profit for the financial year 2013, which represents a maximum distribution of € 298,839 thousand. This takes the 97,473,914 new shares issued at the beginning of 2014 and entitled for dividend into account. The remaining amount is to be carried forward.

## Number of shares outstanding

| Number of shares | 2013 | 2012 |
|---|---|---|
| **Number of shares issued as of 1/1** | **195,505,124** | **195,505,124** |
| Own shares as of 1/1 | 557,295 | 943,771 |
| Purchase of own shares | 0 | 0 |
| Sale of own shares | 0 | (386,476) |
| **Less own shares as of 31/12** | **557,295** | **557,295** |
| **Number of shares outstanding as of 31/12** | **194,947,829** | **194,947,829** |

## Share-based remuneration

In 2013, no tranche of the share incentive program matured. Due to the merger of Raiffeisen International with the principal business areas of RZB, no tranche of the SIP program was issued in 2010. Moreover, in 2011 the maturity of the SIP program was extended to five years in accordance with legal regulations. Therefore the next tranche will not mature before 2016.

Since 2011, new tranches under the SIP program have been issued annually – so also in 2013. On the reporting date, contingent shares for three allotments were assigned. As of 31 December 2013, the contingent allotment of shares amounted to 987,740 (of which 215,032 shares were attributable to the 2011 allotment, 406,040 shares to the 2012 allotment and 366,668 shares to the 2013 allotment). The originally announced number of contingently allotted shares changed due to various personnel changes within Group units. This is shown on an aggregated level in the following table:

| Share incentive program (SIP) 2011 - 2013<br>Group of persons | Number of contingently alloted shares as of 31/12/2013 | Minimum of allotment of shares | Maximum of allotment of shares |
|---|---|---|---|
| Members of the management board of the company | 331,706 | 99,512 | 497,559 |
| Members of the management boards of bank subsidiaries affiliated with the company | 422,217 | 126,665 | 633,325 |
| Executives of the company and other affiliated companies | 233,817 | 70,145 | 350,726 |

In the financial year 2013, no shares were bought back for the share incentive program.

# Disclosures to financial instruments

## (35) Breakdown of remaining terms to maturity

| 2013<br>€ 000 | Due at call or without maturity | Up to 3 months | 3 months up to 1 year | 1 year up to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Cash reserve | 6,674,226 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 3,290,762 | 14,920,181 | 1,922,818 | 1,337,770 | 771,689 |
| Loans and advances to customers | 7,823,404 | 13,897,015 | 12,872,693 | 27,902,140 | 18,139,366 |
| Impairment losses on loans and advances | (5,605,475) | 0 | 0 | 0 | 0 |
| Trading assets | 420,513 | 1,238,814 | 1,140,165 | 2,941,105 | 1,840,500 |
| Financial investments | 563,881 | 4,097,375 | 1,828,912 | 5,916,139 | 1,076,397 |
| Investments in associates | 5,035 | 0 | 0 | 0 | 0 |
| Sundry assets | 3,520,616 | 738,707 | 287,443 | 722,367 | 355,254 |
| **Total assets** | **16,692,961** | **34,892,093** | **18,052,031** | **38,819,521** | **22,183,207** |
| Deposits from banks | 4,238,759 | 14,871,307 | 2,560,350 | 6,105,246 | 2,329,202 |
| Deposits from customers | 34,937,602 | 16,784,803 | 9,117,412 | 3,571,244 | 2,025,574 |
| Debt securities issued | 0 | 2,869,705 | 1,202,476 | 6,884,669 | 575,796 |
| Trading liabilities | 510,574 | 426,448 | 536,886 | 2,084,274 | 1,645,712 |
| Subordinated capital | 0 | 23,326 | 69,322 | 413,404 | 3,621,537 |
| Sundry liabilities | 1,642,687 | 533,225 | 388,572 | 205,043 | 100,859 |
| **Subtotal** | **41,329,622** | **35,508,814** | **13,875,019** | **19,263,880** | **10,298,680** |
| Equity | 10,363,798 | 0 | 0 | 0 | 0 |
| **Total equity and liabilities** | **51,693,420** | **35,508,814** | **13,875,019** | **19,263,880** | **10,298,680** |

| 31/12/2012<br>€ 000 | Due at call or without maturity | Up to 3 months | 3 months up to 1 year | 1 year up 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 |
| **Total assets** | **16,148,663** | **37,783,976** | **19,355,693** | **37,749,569** | **25,078,121** |
| 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 |
| **Subtotal** | **37,913,306** | **34,250,018** | **16,686,370** | **24,119,223** | **12,274,213** |
| Equity | 10,872,893 | 0 | 0 | 0 | 0 |
| **Total equity and liabilities** | **48,786,200** | **34,250,018** | **16,686,370** | **24,119,223** | **12,274,213** |

## (36) Foreign currency volumes

The consolidated financial statements consist of the following volumes of assets and liabilities denominated in foreign currencies:

| € 000 | 2013 | 2012 |
|---|---|---|
| Assets | 62,674,328 | 68,270,672 |
| Liabilities | 51,018,210 | 56,110,923 |

# (37) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Assets | 108,409,668 | 108,493,932 |
| Liabilities | 82,410,215 | 82,859,617 |

# (38) 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 on the Group's regulatory own funds and to use additional refinancing sources.

In the financial year 2013, no new securitization programs with external investors were made. The existing securitization programs from previous years are described briefly as follows:

- The securitization for car leasing contracts of the leasing subsidiary in Poland where 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 remains active also in 2013. Therefore, additional refinancing sources can be mainly used through the securitization. The first loss piece remaining in the Group amounted to 15 per cent, the loans and advances shown in the financial statements amounted to € 88 million as of year-end 2013.

- A synthetic securitization of loans and advances to corporate customers, securities and guarantees of the Group head office was made in 2012. 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 € 126,894 thousand is worth mentioning. The change in carrying amounts compared to the previous year is due to fluctuating currency exchange rates. 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 concluded in 2008 were entirely placed to Group internal investors in 2012 and closed in 2013.

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 2013 to € 3,373 thousand (2012: € 27,741 thousand). The change in carrying amounts is due to the maturing of the portfolio (end of 2014) and fluctuating currency exchange rates.

The synthetic securitization ROOF CEE 2006-1 was closed before maturity in August 2013. The non-derecognized loans within the scope of this securitization program amounted to € 63,098 thousand at year-end 2012.

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), as well as in Slovakia since 2013 (ROOF Slovakia SME 2013-1). 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 € 115,368 thousand (2012: € 83,049 thousand) for the utilized volume of Raiffeisenbank S.A., Bucharest, € 63,801 thousand (2012: € 19,571 thousand) for Raiffeisenbank (Bulgaria) EAD, Sofia, and € 845 thousand for Tatra banka a.s., Bratislava.

A true sale securitization program regarding the retail loans portfolio of ZAO Raiffeisenbank, Moscow, rolled out in 2013 and amounting to about € 125,000 thousand is worth mentioning. The loans were sold to a special purpose vehicle which is held by the Group, where the senior tranch as well as the first loss piece are held by Group internal investors.

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 |
|---|---|---|---|---|---|---|
| True sale transaction ROOF Poland 2008-1 | Raiffeisen-Leasing Polska S.A., Warsaw (PL) | January 2008 | December 2014 Phasing out | 290,000 | Car leasing contracts | 1.3% |
| 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% |
| 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% |
| 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 € 655 million | 25.0% |
| Future Flow Securitization ROOF Russia DPR Finance Company S.A. | ZAO Raiffeisenbank, Moscow (RUS) | June 2012 | 2017 and 2019 | 126,894 | Right in "diversified payment rights" (DPR) | n/a |
| Synthetic Transaction (JEREMIE) ROOF Slovakia SME 2013-1 | Tatra banka a.s., Bratislava (SK) | March 2013 | June 2025 | Guarantees up to € 10.5 million | SME-loans up to € 60 million | 17.5% |

### 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, Asset Based Financing and partly also Diviersified Payment Rights. During the financial year 2013 market value changes led to a negative valuation result of about € 286 thousand (2012: minus € 4 million) and to a realized result from sale of € 2,180 thousand (2012: € 658 thousand).

As of 31 December 2013, RBI reported the following total exposure of structured products (excluding CDS):

| € 000 | Outstanding notional amount | Carrying amount |
|---|---|---|
| Asset-backed securities (ABS) | 609,363 | 609,775 |
| Mortgage-backed securities (MBS) | 55 | 49 |
| Collateralized debt obligations (CDO) | 42,196 | 151 |
| Other | 29,586 | 994 |
| **Total** | **681,199** | **610,968** |

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 |
| **Total** | **387,335** | **289,019** |

# (39) Transferred assets

## Genuine sale and repurchase agreements

| € 000 | 2013 | 2012 |
|---|---|---|
| **Genuine repurchase agreements as borrower** | | |
| Deposits from banks | 1,220,052 | 1,257,875 |
| Deposits from customers | 743,353 | 69,336 |
| **Total** | **1,963,405** | **1,327,211** |

| € 000 | 2013 | 2012 |
|---|---|---|
| **Genuine repurchase agreements as lender (reverse repurchase agreement)** | | |
| Loans and advances to banks | 4,664,010 | 5,130,231 |
| Loans and advances to customers | 1,322,778 | 2,280,735 |
| **Total** | **5,986,788** | **7,410,966** |

| € 000 | 2013 | 2012 |
|---|---|---|
| **Securities sold in genuine sale and repurchase agreement** | **2,063,472** | **1,078,908** |
| hereof sold or repledged | 713,457 | 698,843 |
| hereof bonds, notes and other fixed-interest securities | 686,094 | 698,843 |
| hereof loans and advances | 27,363 | 0 |
| **Securities purchased in a genuine sale and repurchase agreement** | **6,299,130** | **7,491,583** |
| hereof sold or repledged | 1,244,517 | 1,437,763 |
| hereof bonds, notes and other fixed-interest securities | 1,238,393 | 1,394,362 |
| hereof shares and other variable-yield securities | 6,123 | 43,401 |

Within the framework of securities lending, borrowed securities amounted to € 5,571,582 thousand (2012: € 2,729,932 thousand) and loaned securities amounted to € 2,956,307 thousand (2012: € 1,855,151 thousand).

# Transferred financial assets

## Transferred financial assets not entirely derecognized

| 31/12/2013 | Transferred assets | | | Associated Liabilities | | |
|---|---|---|---|---|---|---|
| € 000 | Carrying amount | hereof securitizations | hereof repurchase agreements | Carrying amount | hereof securitizations | hereof repurchase agreements |
| **Trading assets** | **251,903** | **668** | **251,235** | **205,674** | **0** | **205,674** |
| Shares and other variable-yield securities | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds, notes and other fixed-interest securities | 251,235 | 0 | 251,235 | 205,674 | 0 | 205,674 |
| Loans and advances | 668 | 668 | 0 | 0 | 0 | 0 |
| **Financial assets at fair value through profit or loss** | **578,981** | **5,566** | **573,415** | **423,637** | **423** | **423,214** |
| Shares and other variable-yield securities | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds, notes and other fixed-interest securities | 578,981 | 5,566 | 573,415 | 423,637 | 423 | 423,214 |
| **Financial assets available-for-sale** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Loans and advances** | **673,465** | **673,465** | **0** | **109,639** | **109,639** | **0** |
| Bonds, notes and other fixed-interest securities | 34,324 | 34,324 | 0 | 2,606 | 2,606 | 0 |
| Loans and advances | 639,141 | 639,141 | 0 | 107,032 | 107,032 | 0 |
| **Financial assets held-to-maturity** | **67,784** | **10,987** | **56,797** | **65,289** | **834** | **53,588** |
| Bonds, notes and other fixed-interest securities | 67,784 | 10,987 | 56,797 | 65,289 | 834 | 53,588 |
| **Total** | **1,572,133** | **690,686** | **881,447** | **804,238** | **110,896** | **682,476** |

| 31/12/2012 | Transferred assets | | | Associated Liabilities | | |
|---|---|---|---|---|---|---|
| € 000 | Carrying amount | hereof securitizations | hereof repurchase agreements | Carrying amount | hereof securitizations | hereof repurchase agreements |
| **Trading assets** | **206,772** | **0** | **206,772** | **174,967** | **0** | **174,967** |
| Bonds, notes and other fixed-interest securities | 206,772 | 0 | 206,772 | 174,967 | 0 | 174,967 |
| **Financial assets at fair value through profit or loss** | **551,695** | **0** | **551,695** | **525,827** | **0** | **525,827** |
| Bonds, notes and other fixed-interest securities | 551,695 | 0 | 551,695 | 525,827 | 0 | 525,827 |
| **Financial assets available-for-sale** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Loans and advances** | **362,844** | **157,061** | **205,783** | **309,651** | **109,651** | **200,000** |
| 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 |
| **Financial assets held-to-maturity** | **176,192** | **0** | **176,192** | **176,973** | **0** | **176,973** |
| Bonds, notes and other fixed-interest securities | 176,192 | 0 | 176,192 | 176,973 | 0 | 176,973 |
| **Total** | **1,297,504** | **157,061** | **1,140,443** | **1,187,418** | **109,651** | **1,077,767** |

## Transferred financial assets derecognized to the extent of the institution's continuing involvement

As in the previous year, there were no transferred financial assets which were derecognized to the extent of the institution's continuing involvement in the financial year 2013.

# (40) Assets pledged as collateral

The following liabilities are secured by assets shown in the statement of financial position:

| € 000 | 2013 | 2012 |
|---|---|---|
| Deposits from banks | 3,236,873 | 4,955,878 |
| Deposits from customers | 71,210 | 82,537 |
| Debt securities issued | 0 | 0 |
| Other liabilities | 169,958 | 180,159 |
| Contingent liabilities and commitments | 1,216 | 1,309 |
| **Total** | **3,479,257** | **5,219,884** |

The following assets are provided as collateral for the obligations:

| € 000 | 2013 | 2012 |
|---|---|---|
| Loans and advances to banks | 346,344 | 437,377 |
| Loans and advances to customers | 1,752,507 | 2,582,799 |
| Trading assets | 433,316 | 424,199 |
| Financial investments | 1,830,723 | 2,614,553 |
| **Total** | **4,362,889** | **6,058,927** |

# (41) Offsetting of financial assets and liabilities

| 2013 | Gross amount | | Net amount | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| € 000 | of recognised assets set off in the statement of financial position | of recognised liabilities set off in the statement of financial position | of recognised assets set off in the statement of financial position | Financial instruments | Cash collateral received | |
| Derivatives | 3,496,129 | 39,966 | 3,456,164 | 3,063,382 | 16,311 | 376,470 |
| Reverse repurchase, securities lending & similar agreements | 8,132,812 | 0 | 8,132,812 | 8,123,543 | 1,793 | 7,476 |
| Other financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **11,628,942** | **39,966** | **11,588,976** | **11,186,925** | **18,104** | **383,946** |

| 2013 | Gross amount | | Net amount | Related amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| € 000 | of recognised liabilities set off in the statement of financial position | of recognised assets set off in the statement of financial position | of recognised liabilities set off in the statement of financial position | Financial instruments | Cash collateral pledged | |
| Derivatives | 3,268,829 | 39,966 | 3,228,863 | 3,531,310 | 51,855 | (354,301) |
| Repurchase, securities lending & similar agreements | 1,862,597 | 0 | 1,862,597 | 1,862,758 | 0 | (161) |
| Other financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **5,131,426** | **39,966** | **5,091,460** | **5,394,068** | **51,855** | **(354,463)** |

The previous year figures could not be prepared retrospectively.

# Risk report

## (42) 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.

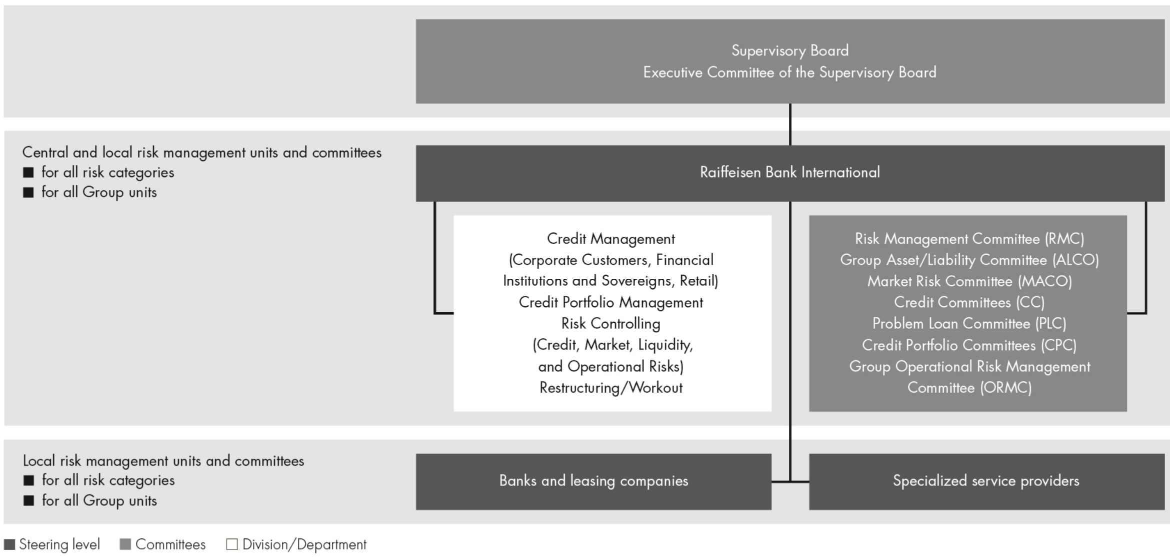
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

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 Group 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.

The Problem Loan Committee (PLC) is the most important committee in the judgment and decision-making process concerning problem loans. It comprises first-class decision making bodies (members of the Management Board of RBI and RZB) and its chairman is the Chief Risk Officer (CRO) of RBI. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and department managers from risk management and workout.

The Operational Risk Management Committee comprises representatives of the business divisions (retail, market and corporate customers) and representatives from Compliance, Fraud Management, IKS, Operations, HR, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for controlling operational risk of RBI. It derives and sets the operational risk strategy from the risk profile and the business strategy and also makes decisions regarding measures and risk acceptance.

### Quality assurance and internal audit

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 group 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 credit institution group (RZB-Kreditinstitutsgruppe) by the Austrian Financial Markets Authority on an annual basis.

| Objective | Description of risk | Measurement technique | Confidence level |
|---|---|---|---|
| **Target rating perspective** | Risk of not being able to satisfy claims of the Group´s senior debt holders | Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities | 99.95 per cent as derived from the default probability implied by the target rating |
| **Going concern perspective** | Risk of not meeting the capital requirement as defined in the Basel III regulations | Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group | 95 per cent reflecting the owners´ willingness to inject additional own funds |
| **Sustainability perspective** | Risk of falling short of a sustainable core capital ratio over a full business cycle | Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario | 70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital |

### Target rating perspective

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.

During the year, the economic capital of RBI decreased to € 7,867,722 thousand. The highest decreases were reported due to methodical changes in credit risk of the asset class private individuals and in credit risk of the asset class sovereigns. The highest risk of RBI is now in credit risk of the asset class corporate customers which accounts for around 31 per cent (2012: 26 per cent) of total risk. In total, credit risk is responsible for about 67 per cent (2012: 66 per cent) of economic capital. Market risk and operational risk account for 17 per cent (2012: 17 per cent). In addition, a general risk buffer for other risks of unchanged 5 per cent of the calculated economic capital is added. In the regional breakdown of economic capital as of 31 December 2013 the largest share, at around 38 per cent (2012: 37 per cent), is allocated to Group units located in Central Europe.

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 64.3 per cent at year-end (2012: 73.8 per cent).

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 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Credit risk corporate customers | 2,433,337 | 30.9% | 2,383,560 | 25.7% |
| Credit risk private individuals | 2,059,768 | 26.2% | 2,456,811 | 26.5% |
| Operational risk | 682,259 | 8.7% | 775,262 | 8.4% |
| Market risk | 630,075 | 8.0% | 790,949 | 8.5% |
| Credit risk sovereigns | 486,628 | 6.2% | 961,662 | 10.4% |
| Liquidity risk | 297,414 | 3.8% | 207,166 | 2.2% |
| Credit risk financial institutions | 267,040 | 3.4% | 311,506 | 3.4% |
| Other tangible fixed assets | 262,565 | 3.3% | 411,130 | 4.4% |
| Macroeconomic risk | 189,424 | 2.4% | 338,032 | 3.6% |
| Participation risk | 184,558 | 2.3% | 194,191 | 2.1% |
| Risk buffer | 374,653 | 4.8% | 441,513 | 4.8% |
| **Total** | **7,867,722** | **100.0%** | **9,271,783** | **100.0%** |

Regional allocation of economic capital according to booking Group unit

| € 000 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Central Europe | 2,959,188 | 37.6% | 3,446,954 | 37.2% |
| Southeastern Europe | 1,652,330 | 21.0% | 1,772,542 | 19.1% |
| Austria | 1,276,052 | 16.2% | 1,794,446 | 19.4% |
| Russia | 1,121,057 | 14.2% | 1,227,497 | 13.2% |
| CIS Other | 659,706 | 8.4% | 796,869 | 8.6% |
| Rest of the world | 199,388 | 2.5% | 233,475 | 2.5% |
| **Total** | **7,867,722** | **100.0%** | **9,271,783** | **100.0%** |

## Going concern perspective

Parallel to the target rating perspective, 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. Already during the year 2012, the calculation was updated with regard to the regulations of Basel III.

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 2013 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 pro-cyclical 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 workflows 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 | 2013 | 2012 |
|---|---|---|
| Cash reserve | 4,165,556 | 4,272,275 |
| Loans and advances to banks | 22,243,221 | 22,323,301 |
| Loans and advances to customers | 80,634,618 | 83,343,269 |
| Trading assets | 7,581,097 | 9,813,293 |
| Derivatives | 982,052 | 1,405,088 |
| Financial investments | 12,862,278 | 12,741,316 |
| Other assets | 243,029 | 216,611 |
| Contingent liabilities | 10,989,527 | 11,706,829 |
| Commitments | 10,278,861 | 10,609,130 |
| Revocable credit lines | 16,726,791 | 16,223,936 |
| Description differences | (3,384,431) | (2,557,608) |
| **Total[1]** | **163,322,599** | **170,097,440** |

1 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 27 grades for corporate customers and 10 grades for financial institutions and sovereigns. 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

At year-end 2013, the two existing internal rating models for corporate customers were converted into three new statistically optimized internal models. The intensive regulatory examination preceding the implementation of these models was passed successfully by the new models. Like the old models, the improved models take into account qualitative factors as well as several performance figures and figures regarding the statement of financial position which cover the different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The model for large corporate customers was replaced by two models which separated large corporates and mid market customers in order to enable a better risk differentiation in this division. Due to the fact that large corporates show a measurably lower default probability in comparison to mid market customers, the separation of both rating divisions lead to a shift to better rating grades for large corporates while the larger number of mid market customers inclines to inferior rating grades. A further impact leading to systematic customer mitigations comes from the country specific calibration of models for mid market and smaller corporates. Customers from countries and regions with comparably lower historical default rates are allocated to better rating grades, while customers from countries with higher default rates are assigned to inferior rating grades. This also results in a better risk differentiation.

Together with the new models a new rating scale was also installed for these customers. On the one hand it offers a more precise risk assessment due to the larger given granularity (25 instead of 9 living grades). On the other hand, it enables a comparison between the rating segments and over time, due to the fact that the classes of the new scale are defined by an accurate range of probability of defaults.

For a better readability, the 25 grades of the new rating scale are summarized to the 9 main rating grades in the following presentation. It has to be noted that due to the completely other construction logic (given PD curve with constantly increasing rate versus cohort approach), the models cannot be compared also in verbal description. This become especially apparent in inferior rating grades where PDs are considerably higher than it was in the former rating scale.

| € 000 | | 2013 | Share |
|---|---|---|---|
| 1 | Minimal Risk | 6,534,028 | 8.3% |
| 2 | Excellent credit standing | 8,950,170 | 11.4% |
| 3 | Very good credit standing | 8,574,707 | 10.9% |
| 4 | Good credit standing | 10,623,860 | 13.5% |
| 5 | Sound credit standing | 13,337,844 | 17.0% |
| 6 | Acceptable credit standing | 12,622,804 | 16.1% |
| 7 | Marginal credit standing | 7,303,978 | 9.3% |
| 8 | Weak credit standing / sub-standard | 2,605,341 | 3.3% |
| 9 | Very weak credit standing / doubtful | 1,973,152 | 2.5% |
| 10 | Default | 5,268,051 | 6.7% |
| NR | Not rated | 724,006 | 0.9% |
| **Total** | | **78,517,943** | **100.0%** |

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates (large corporates and mid market) for 2012. Due to the change of internal rating models for corporate customers it is not possible to make a direct comparison with the reporting year.

| € 000 | | 2012 | Share |
|---|---|---|---|
| 0.5 | Minimal Risk | 1,185,493 | 1.5% |
| 1.0 | Excellent credit standing | 8,438,770 | 10.4% |
| 1.5 | Very good credit standing | 8,983,094 | 11.1% |
| 2.0 | Good credit standing | 12,419,278 | 15.4% |
| 2.5 | Sound credit standing | 11,745,454 | 14.5% |
| 3.0 | Acceptable credit standing | 12,450,870 | 15.4% |
| 3.5 | Marginal credit standing | 11,275,789 | 13.9% |
| 4.0 | Weak credit standing/sub-standard | 5,223,169 | 6.5% |
| 4.5 | Very weak credit standing/doubtful | 3,361,391 | 4.2% |
| 5.0 | Default | 4,925,690 | 6.1% |
| NR | Not rated | 886,816 | 1.1% |
| **Total** | | **80,895,816** | **100.0%** |

The maximum credit exposure to corporates amounted to € 78,517,943 thousand (2012: € 80,895,816 thousand) at year-end 2013. At € 31,041,882 thousand (2012: € 31,657,885 thousand) Group Corporates is the largest segment. Compared to year-end 2012, the segment Group Corporates reported a decline of € 616,003 thousand due to decrease in leasing and framework financing. In the segment Central Europe, the credit exposure decreased € 327,737 thousand to € 17,658,513 thousand due to lower credit demand.

The credit exposure in Russia amounted to € 9,990,053 thousand (2012: € 10,237,258 thousand), thus representing a decline of € 247,205 thousand. The decline in credit business was partly offset by corporate bonds. The remaining exposure is allocated to Southeastern Europe at € 9,893,211 thousand (2012: € 10,370,446 thousand), Group Markets at € 4,890,260 thousand (2012: € 5,968,080 thousand), CIS Other at € 3,748,491 thousand (2012: € 3,681.640 thousand) and Corporate Center at € 1,295,533 thousand (2012: € 994,257 thousand). Group Markets showed the highest decrease of € 1,077,820 thousand due to lower repo transactions.

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 | | 2013 | Share | 2012 | Share |
|---|---|---|---|---|---|
| 6.1 | Excellent project risk profile – very low risk | 3,388,198 | 38.7% | 3,734,268 | 44.3% |
| 6.2 | Good project risk profile – low risk | 2,970,514 | 34.0% | 2,522,975 | 30.0% |
| 6.3 | Acceptable project risk profile – average risk | 1,225,163 | 14.0% | 1,241,107 | 14.7% |
| 6.4 | Poor project risk profile – high risk | 615,521 | 7.0% | 391,268 | 4.6% |
| 6.5 | Default | 539,048 | 6.2% | 502,988 | 6.0% |
| NR | Not rated | 10,102 | 0.1% | 28,826 | 0.3% |
| **Total** | | **8,748,547** | **100.0%** | **8,421,433** | **100.0%** |

The maximum credit exposure in project finance amounted to € 8,748,547 thousand (2012: € 8,421,433 thousand) at year-end 2013. 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 72.7 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 € 346,070 thousand in rating category 6.1 resulted on the one hand from finished project financing and on the other hand from a rating worsening in a project finance in Canada. The increase in rating category 6.2 is due to new business and expansion of existing credit financings. Unrated projects decreased to 0.1 per cent (€ 10,102 thousand) year-on-year.

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

| € 000 | 2013 | Share | 2012[1] | Share |
|---|---|---|---|---|
| Central Europe | 21,393,824 | 24.5% | 22,067,188 | 24.7% |
| Austria | 16,758,307 | 19.2% | 16,573,205 | 18.6% |
| Russia | 11,520,096 | 13.2% | 12,117,163 | 13.6% |
| Southeastern Europe | 10,284,663 | 11.8% | 11,293,791 | 12.6% |
| Western Europe | 9,741,064 | 11.2% | 10,575,471 | 11.8% |
| Asia | 5,955,653 | 6.8% | 6,927,817 | 7.8% |
| CIS Other | 3,895,603 | 4.5% | 3,681,640 | 4.1% |
| Other | 7,717,280 | 8.8% | 6,080,973 | 6.8% |
| **Total** | **87,266,489** | **100.0%** | **89,317,249** | **100.0%** |

1 Adaption of previous year figures due to different mapping.

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

| € 000 | 2013 | Share | 2012[1] | Share |
|---|---|---|---|---|
| Wholesale and retail trade | 20,688,851 | 23.7% | 21,050,778 | 23.6% |
| Manufacturing | 18,362,354 | 21.0% | 18,579,700 | 20.8% |
| Real estate | 9,865,457 | 11.3% | 9,838,224 | 11.0% |
| Financial intermediation | 8,005,905 | 9.2% | 9,623,194 | 10.8% |
| Construction | 6,345,659 | 7.3% | 6,786,939 | 7.6% |
| Transport, storage and communication | 3,736,176 | 4.3% | 3,747,401 | 4.2% |
| Electricity, gas, steam and hot water supply | 4,124,123 | 4.7% | 3,400,299 | 3.8% |
| Freelance/technical services | 5,216,879 | 6.0% | 5,213,388 | 5.8% |
| Other industries | 10,921,083 | 12.5% | 11,077,326 | 12.4% |
| **Total** | **87,266,489** | **100.0%** | **89,317,249** | **100.0%** |

1 Adaption of previous year figures due to more detailled presentation.

## Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (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 | 2013 | Share | 2012[1] | Share |
|---|---|---|---|---|
| Retail customers – private individuals | 26,194,329 | 89.1% | 25,856,000 | 88.7% |
| Retail customers – small and medium-sized entities | 3,207,994 | 10.9% | 3,278,328 | 11.3% |
| **Total** | **29,402,323** | **100.0%** | **29,134,328** | **100.0%** |
| hereof non-performing loans | 2,923,404 | 9.9% | 3,053,522 | 10.5% |
| hereof individual loan loss provision | 1,927,507 | 6.6% | 1,677,947 | 5.8% |
| hereof portfolio-based loan loss provision | 185,998 | 0.6% | 571,891 | 2.0% |

1 Adaption of previous year figures due to different disclosure.

In the course of the integration of Polbank, the allocation of loan loss provisions for private individuals was unified. As a consequence, a reclassification from portfolio-based loan loss provisions to individual loan loss provisions in the amount of around € 330,000 was made.

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

| 2013<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Markets |
|---|---|---|---|---|---|
| Retail customers – private individuals | 13,460,771 | 6,672,299 | 4,633,303 | 1,413,648 | 14,307 |
| Retail customers – small and medium-sized entities | 2,084,916 | 739,617 | 93,216 | 290,245 | 0 |
| **Total** | **15,545,687** | **7,411,917** | **4,726,519** | **1,703,893** | **14,307** |
| hereof non-performing loans | 1,571,970 | 598,787 | 150,408 | 597,348 | 900 |
| hereof individual loan loss provision | 988,679 | 358,156 | 118,534 | 419,234 | 93 |
| hereof portfolio-based loan loss provision | 91,213 | 42,135 | 28,971 | 20,413 | 0 |

| 2012<br>€ 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 |
| **Total** | **16,214,036** | **7,380,448** | **3,736,187** | **1,787,662** | **15,994** |
| 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 |

Compared to year-end 2012, the retail credit portfolio increased € 267,995 thousand to € 29,402,323 thousand. The highest volume of € 15,545,687 thousand (2012: € 16,214,036 thousand) was booked in segment Central Europe. This was a decrease of € 668,349 thousand compared to the previous year, mainly caused by a decline in loans to private individuals in Poland.

The second largest segment was Southeastern Europe with € 7,411,917 thousand (2012: € 7,380,448 thousand). Compared to the previous year the exposure increased slightly by € 31,469 thousand.

In Russia, the volumes in asset class private individuals increased € 990,332 thousand resulting mainly from personal 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 | 2013 | Share | 2012[1] | Share |
|---|---|---|---|---|
| Mortgage loans | 14,055,312 | 47.8% | 14,447,210 | 49.6% |
| Personal loans | 6,659,950 | 22.7% | 6,580,293 | 22.6% |
| Credit cards | 2,351,050 | 8.0% | 2,325,745 | 8.0% |
| Car loans | 2,617,310 | 8.9% | 2,457,087 | 8.4% |
| Overdrafts | 2,102,645 | 7.2% | 1,990,178 | 6.8% |
| SME financing | 1,616,056 | 5.5% | 1,333,814 | 4.6% |
| **Total** | **29,402,323** | **100.0%** | **29,134,328** | **100.0%** |

1 Adaption of previous year figures.

| 2013<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Markets |
|---|---|---|---|---|---|
| Mortgage loans | 9,175,649 | 2,902,663 | 1,112,535 | 864,465 | 0 |
| Personal loans | 2,467,174 | 2,311,816 | 1,352,896 | 528,063 | 0 |
| Credit cards | 756,950 | 514,657 | 939,159 | 140,284 | 0 |
| Car loans | 925,936 | 614,238 | 989,081 | 88,055 | 0 |
| Overdrafts | 1,233,491 | 566,990 | 245,305 | 56,859 | 0 |
| SME financing | 986,486 | 501,551 | 87,543 | 26,168 | 14,307 |
| **Total** | **15,545,687** | **7,411,917** | **4,726,519** | **1,703,893** | **14,307** |

| 2012<br>€ 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 |
| Overdrafts | 1,319,025 | 554,848 | 387,789 | 28,516 | 0 |
| SME financing | 774,562 | 490,811 | 25,942 | 26,505 | 15,994 |
| **Total** | **16,214,036** | **7,380,448** | **3,736,187** | **1,787,662** | **15,994** |

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 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Swiss franc | 4,560,230 | 50.4% | 5,109,986 | 48.6% |
| Euro | 3,557,010 | 39.3% | 4,054,190 | 38.6% |
| US-Dollar | 914,962 | 10.1% | 1,198,526 | 11.4% |
| Other foreign currencies | 10,829 | 0.1% | 141,338 | 1.3% |
| **Loans in foreign currencies** | **9,043,031** | **100.0%** | **10,504,040** | **100.0%** |
| **Share of total loans** | **30.8%** | | **36.1%** | |

Compared to year-end 2012, all loans denominated in foreign currency decreased. The following table shows the maximum credit exposure of this asset class by segment:

| 2013<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Markets |
|---|---|---|---|---|---|
| Swiss franc | 3,818,523 | 741,324 | 0 | 0 | 383 |
| Euro | 1,178,683 | 2,347,304 | 22,121 | 8,902 | 0 |
| US-Dollar | 6,177 | 3,958 | 193,040 | 710,076 | 1,711 |
| Other foreign currencies | 3,001 | 45 | 0 | 925 | 6,858 |
| **Loans in foreign currencies** | **5,006,385** | **3,092,631** | **215,160** | **719,903** | **8,952** |
| **Share of total loans** | **32.2%** | **41.7%** | **4.6%** | **42.3%** | **62.6%** |

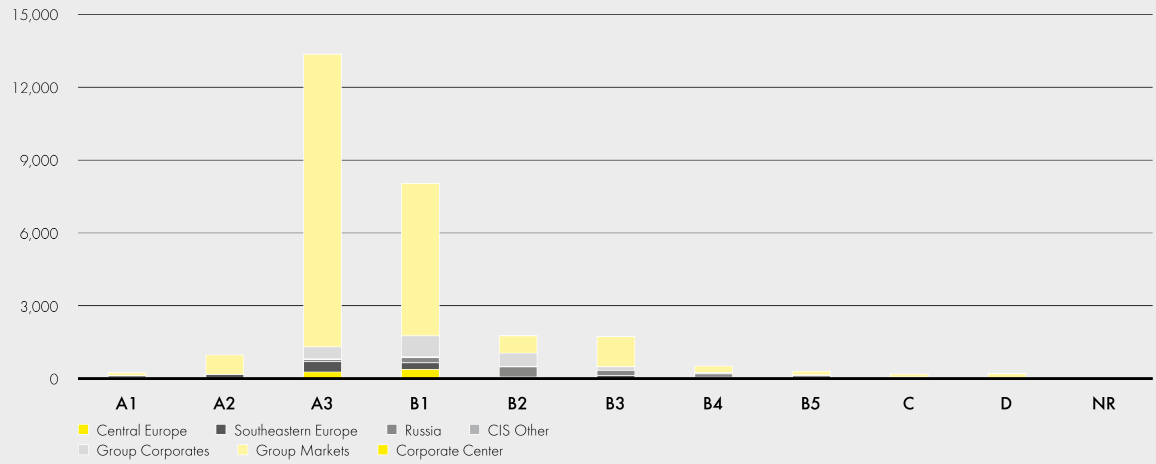
| 2012<br>€ 000 | Central Europe | Southeastern Europe | Russia | CIS Other | Group Markets |
|---|---|---|---|---|---|
| Swiss franc | 4,255,406 | 853,963 | 0 | 0 | 617 |
| Euro | 1,214,912 | 2,823,403 | 6,544 | 9,331 | 0 |
| US-Dollar | 8,976 | 4,453 | 276,564 | 901,414 | 7,119 |
| Other foreign currencies | 11,822 | 121,890 | 0 | 636 | 6,990 |
| **Loans in foreign currencies** | **5,491,117** | **3,803,709** | **283,108** | **911,381** | **14,726** |
| **Share of total loans** | **33.9%** | **51.5%** | **7.6%** | **51.0%** | **92.1%** |

### 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

in € million




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 | | 2013 | Share | 2012 | Share |
|---|---|---|---|---|---|
| A1 | Excellent credit standing | 244,612 | 0.9% | 95,668 | 0.3% |
| A2 | Very good credit standing | 974,381 | 3.6% | 985,963 | 3.0% |
| A3 | Good credit standing | 13,368,091 | 48.8% | 19,974,122 | 61.0% |
| B1 | Sound credit standing | 8,039,908 | 29.4% | 7,338,380 | 22.4% |
| B2 | Average credit standing | 1,769,127 | 6.5% | 1,781,661 | 5.4% |
| B3 | Mediocre credit standing | 1,732,703 | 6.3% | 1,047,219 | 3.2% |
| B4 | Weak credit standing | 517,995 | 1.9% | 696,652 | 2.1% |
| B5 | Very weak credit standing | 303,924 | 1.1% | 330,228 | 1.0% |
| C | Doubtful/high default risk | 187,038 | 0.7% | 157,261 | 0.5% |
| D | Default | 213,498 | 0.8% | 269,207 | 0.8% |
| NR | Not rated | 18,247 | 0.1% | 48,533 | 0.1% |
| **Total** | | **27,369,523** | **100.0%** | **32,724,896** | **100.0%** |

The maximum credit exposure of these customers was € 27,369,523 thousand (2012: € 32,724,896 thousand) at year-end 2013. At € 13,368,091 thousand or 48.8 per cent, the bulk of this customer group was in the rating class A3, which decreased € 6,606,031 thousand compared to year-end 2012. This resulted mainly from a decline in swap, money market and repo businesses in the segment Group Markets (minus € 6,828,341 thousand).

Taking all rating classes together, segment Group Markets accounts for the largest portfolio share at € 21,924,434 thousand (2012: € 27,638,205 thousand) or 80.1 per cent, followed by the segment Group Corporates at € 2,117,293 thousand (2012: € 1,508,711 thousand) or 7.7 per cent.

The share of not rated financial institutions was unchanged at 0.1 per cent at year-end 2013. 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 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Money market | 7,521,106 | 27.5% | 9,443,627 | 28.9% |
| Derivatives | 7,269,563 | 26.6% | 12,123,929 | 37.0% |
| Repo | 4,002,372 | 14.6% | 4,736,967 | 14.5% |
| Loans | 2,960,036 | 10.8% | 3,580,386 | 10.9% |
| Bonds | 4,683,460 | 17.1% | 2,162,112 | 6.6% |
| Other | 932,985 | 3.4% | 677,874 | 2.1% |
| **Total** | **27,369,523** | **100.0%** | **32,724,896** | **100.0%** |

## 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 | | 2013 | Share | 2012 | Share |
|---|---|---|---|---|---|
| A1 | Excellent credit standing | 1,659,587 | 8.6% | 1,560,976 | 8.2% |
| A2 | Very good credit standing | 1,350,019 | 7.0% | 792,834 | 4.2% |
| A3 | Good credit standing | 3,143,919 | 16.3% | 3,860,525 | 20.4% |
| B1 | Sound credit standing | 2,844,466 | 14.8% | 2,730,261 | 14.4% |
| B2 | Average credit standing | 1,076,257 | 5.6% | 1,272,111 | 6.7% |
| B3 | Mediocre credit standing | 4,061,005 | 21.1% | 3,414,523 | 18.0% |
| B4 | Weak credit standing | 3,682,907 | 19.1% | 3,794,917 | 20.1% |
| B5 | Very weak credit standing | 1,402,628 | 7.3% | 1,171,675 | 6.2% |
| C | Doubtful/high default risk | 5,088 | 0.0% | 232,424 | 1.2% |
| D | Default | 36,899 | 0.2% | 83,383 | 0.4% |
| NR | Not rated | 21,488 | 0.1% | 7,338 | 0.0% |
| **Total** | | **19,284,264** | **100.0%** | **18,920,968** | **100.0%** |

The maximum credit exposure to sovereigns amounted to € 19,284,264 thousand (2012: € 18,920,968 thousand) at year-end 2013 and represented 11.8 per cent (2012: 11.1 per cent) of the bank’s total credit exposure.

The rating grade excellent credit standing (A1) showed a slight increase of € 98,611 thousand. This resulted from the rise in the portfolio of Austrian government bonds (up € 683,956 thousand) and newly granted limits which were partly offset by a decrease in deposits at the Austrian National Bank (down € 668,310 thousand).

The medium rating grades Good credit standing (rating A3) to Mediocre credit standing (rating B3) represented the highest share with 57.8 per cent (2012: 59.5 per cent). The high exposure in these rating categories mainly results from deposits of network banks at local central banks as well as from government bonds in Central and Southeastern Europe. The deposits at local central banks 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 volume in lower credit rating grades (rating C and D) decreased due to rating improvements of the Belarusian National Bank to € 41,987 thousand (2012: € 315,807 thousand).

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

| € 000 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Bonds | 12,470,673 | 64.7% | 12,272,944 | 64.9% |
| Loans | 5,555,118 | 28.8% | 5,312,316 | 28.1% |
| Derivatives | 726,408 | 3.8% | 795,097 | 4.2% |
| Other | 532,065 | 2.8% | 540,610 | 2.9% |
| **Total** | **19,284,264** | **100%** | **18,920,968** | **100.0%** |

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

| € 000 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Hungary | 2,167,739 | 23.5% | 2,233,649 | 25.7% |
| Romania | 2,068,442 | 22.5% | 1,808,045 | 20.8% |
| Croatia | 940,667 | 10.2% | 1,022,513 | 11.7% |
| Albania | 843,639 | 9.2% | 976,138 | 11.2% |
| Ukraine | 607,517 | 6.6% | 766,157 | 8.8% |
| Other | 2,582,012 | 28.0% | 1,897,759 | 21.8% |
| **Total** | **9,210,016** | **100.0%** | **8,704,260** | **100.0%** |

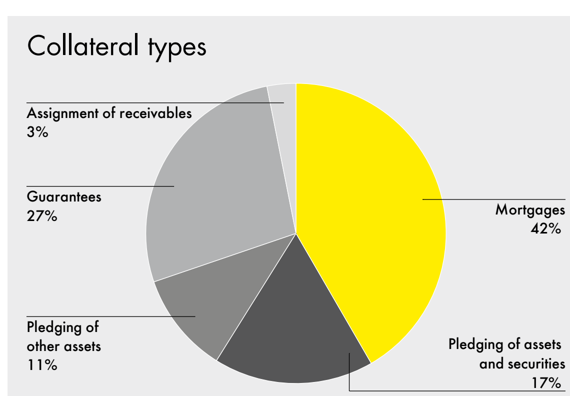
Here, the credit exposure increased to € 9,205,016 thousand (2012: € 8,704,260 thousand) year-on-year. It resulted primarily from deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing 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 corresponding 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:



| 2013<br>€ 000 | Maximum credit exposure<br>Net exposure | Commitments/guarantees issued | Fair value of collateral |
|---|---|---|---|
| Banks | 22,125,059 | 2,731,027 | 4,282,919 |
| Sovereigns | 1,641,365 | 271,763 | 656,956 |
| Corporate customers – large corporates | 46,462,937 | 30,761,333 | 34,162,454 |
| Corporate customers – mid market | 2,558,162 | 906,548 | 2,320,443 |
| Retail customers – private individuals | 21,999,167 | 2,905,984 | 13,869,417 |
| Retail customers – small and medium-sized entities | 2,485,675 | 418,657 | 1,835,553 |
| **Total** | **97,272,366** | **37,995,311** | **57,127,741** |

| 2012[1]<br>€ 000 | Maximum credit exposure<br>Net exposure | Commitments/guarantees issued | Fair value of collateral |
|---|---|---|---|
| Banks | 22,165,582 | 3,123,097 | 5,408,753 |
| Sovereigns | 1,375,664 | 199,937 | 668,984 |
| Corporate customers – large corporates | 49,413,981 | 31,195,216 | 34,949,831 |
| 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 |
| **Total** | **100,024,672** | **38,540,148** | **59,387,318** |

1 Adaption of previous year figures due to different mapping.

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 21,617,052 thousand (2012: € 25,457,682 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.

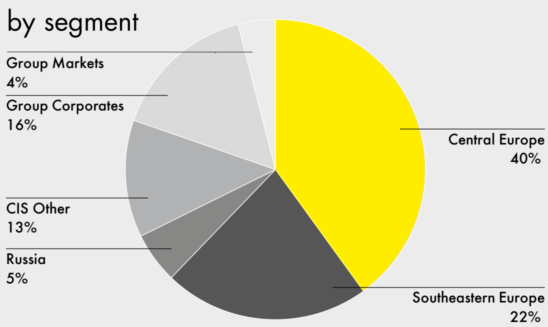
Problem loan management standards in the retail area comprise the whole restructuring and collection process for private individuals and small and medium-sized entities. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring 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.

| 2013 | Current | Overdue | | | | | Collaterals |
|---|---|---|---|---|---|---|---|
| € 000 | | Up to 30 days | 31 days, up to 90 days | 91 days, up to 180 days | 181 days, up to 1 year | More than 1 year | received for assets which are past due |
| Banks | 22,094,493 | 26 | 22 | 1 | 0 | 1 | 0 |
| Sovereigns | 1,599,712 | 19,144 | 207 | 0 | 8 | 537 | 1,442 |
| Corporate customers – large corporates | 43,148,394 | 833,617 | 356,464 | 459 | 73,360 | 73,026 | 797,050 |
| Corporate customers – mid market | 2,273,858 | 163,034 | 64,840 | 18,485 | 7,465 | 5,278 | 193,352 |
| Retail customers – private individuals | 19,835,498 | 1,210,549 | 264,500 | 111,135 | 5,760 | 6,624 | 610,755 |
| Retail customers – small and medium-sized entities | 2,163,063 | 155,932 | 29,599 | 7,880 | 717 | 2,364 | 179,259 |
| **Total** | **91,115,019** | **2,382,302** | **715,631** | **137,959** | **87,310** | **87,829** | **1,781,857** |

| 2012 | Current | Overdue | | | | | Collaterals |
|---|---|---|---|---|---|---|---|
| € 000 | | Up to 30 days | 31 days, up to 90 days | 91 days, up to 180 days | 181 days, up to 1 year | More than 1 year | received for assets which are past due |
| 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 |
| **Total** | **92,628,955** | **3,497,394** | **711,136** | **220,796** | **149,296** | **583,743** | **2,198,995** |

Breakdown of non-performing loans by segment




## Restructuring of loans

RBI distinguishes between modified and restructured loans in the division corporates customers when terms or loan conditions are altered in favor of the customer.

The crucial aspect deciding whether a loan is modified or restructured is the financial situation of a customer at the time the terms and conditions are altered. Loans are defined as restructured loans if at the time of altering the terms and conditions of a loan the customer, due to its creditworthiness (considering the internal rating and other information available at this point of date), is assessed to be in financial difficulties and the granted change in favor of the customer exceeds an exactly defined minor threshold value. Consequently, the loan is subject to a mandatory impairment test and is classified as non-performing loan if there is feasible evidence.

In the division retail customers restructured loans are subject to an observation period of at least three months in order to be sure that the customer meets the newly agreed terms. In those cases where the concerned customer meets the newly agreed terms and was not overdue for 180 days before the new agreement, this customer is transferred from the portfolio in observation to the living portfolio. Those customers who were already overdue for 180 days before the new agreements or those who did not meet the newly agreed terms, remain in the portfolio which is fully impaired.

Due to the current conversion to the new regulations of Basel III no quantitative information is shown.

## 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 1/1/2013 | Change in consolidated group | Exchange differences | Additions | Disposals | As of 31/12/2013 |
|---|---|---|---|---|---|---|
| Corporate customers | 5,073,267 | (8,866) | (116,231) | 2,258,689 | (1,500,147) | 5,706,711 |
| Retail customers | 3,052,468 | 0 | (91,522) | 937,216 | (976,574) | 2,921,588 |
| Sovereigns | 57,216 | 0 | (898) | 15,478 | (42,675) | 29,122 |
| **Total nonbanks** | **8,182,950** | **(8,866)** | **(208,651)** | **3,211,383** | **(2,519,396)** | **8,657,421** |
| Banks | 201,666 | 0 | (2,321) | 2,087 | (47,963) | 153,469 |
| **Total** | **8,384,617** | **(8,866)** | **(210,972)** | **3,213,470** | **(2,567,359)** | **8,810,890** |

| € 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 |
| **Total nonbanks** | **7,055,549** | **507,833** | **94,969** | **2,751,745** | **(2,227,146)** | **8,182,950** |
| Banks | 241,276 | 0 | (960) | 6,460 | (45,110) | 201,666 |
| **Total** | **7,296,825** | **507,833** | **94,009** | **2,758,205** | **(2,272,255)** | **8,384,617** |

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):

| | NPL | | NPL ratio | | NPL coverage ratio | |
|---|---|---|---|---|---|---|
| € 000 | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 | 31/12/2013 | 31/12/2012 |
| Corporate customers | 5,706,711 | 5,073,267 | 10.9% | 9.1% | 59.0% | 63.5% |
| Retail customers | 2,921,588 | 3,052,468 | 11.0% | 11.5% | 72.3% | 73.7% |
| Sovereigns | 29,122 | 57,216 | 1.8% | 4.1% | 17.6% | 19.8% |
| **Total nonbanks** | **8,657,421** | **8,182,950** | **10.7%** | **9.8%** | **63.1%** | **67.0%** |
| Banks | 153,469 | 201,666 | 0.7% | 0.9% | 72.6% | 78.2% |
| **Total** | **8,810,890** | **8,384,617** | **8.6%** | **7.9%** | **63.5%** | **67.3%** |

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:

| | NPL | | NPL ratio | | NPL coverage ratio | |
|---|---|---|---|---|---|---|
| **€ 000** | **31/12/2013** | **31/12/2012** | **31/12/2013** | **31/12/2012** | **31/12/2013** | **31/12/2012** |
| Central Europe | 3,508,780 | 3,447,016 | 11.4% | 10.8% | 64.3% | 64.0% |
| Southeastern Europe | 1,943,836 | 1,808,066 | 12.1% | 10.9% | 58.4% | 62.0% |
| Russia | 481,569 | 489,371 | 3.9% | 3.8% | 77.7% | 100.0% |
| CIS Other | 1,107,805 | 1,306,740 | 23.3% | 24.7% | 72.2% | 70.2% |
| Group Corporates | 1,373,426 | 922,956 | 6.5% | 4.7% | 47.2% | 60.6% |
| Group Markets | 351,271 | 410,469 | 2.1% | 2.0% | 84.7% | 79.8% |
| Corporate Center | 44,203 | 0 | 0.7% | 0.0% | 215.4% | 0.0% |
| **Total** | **8,810,890** | **8,384,617** | **8.6%** | **7.9%** | **63.5%** | **67.3%** |
| hereof Non-banks | 8,657,421 | 8,182,950 | 10.7% | 9.8% | 63.1% | 67.0% |

In 2013, in the asset class corporate customers, non-performing loans increased 12.5 per cent or € 633,445 thousand to € 5,706,711 thousand (2012: € 5,073,267 thousand), the ratio of non-performing loans to credit exposure rose 1.8 percentage points to 10.9 per cent; the NPL coverage ratio went down by 4.5 percentage points to 59.0 per cent. In the retail portfolio on the other hand, non-performing loans sank 4.3 per cent or € 130,880 thousand to € 2,921,588 thousand (2012: € 3,052,468 thousand). The ratio of non-performing loans to credit exposure also decreased 0.5 percentage points to 11.0 per cent and the NPL coverage ratio went down by 1.4 percentage points to 72.3 per cent. The portfolio of non-performing loans in the division financial institutions decreased € 48,197 thousand to € 153,469 thousand (2012: € 201,666 thousand) at year-end, the NPL coverage ratio sank 5.6 percentage points to 72.6 per cent.

Non-performing loans increased significantly in the segment Group Corporates by 48.8 per cent or € 450,470 thousand to € 1,373,426 thousand (2012: € 922,956 thousand). Here, the ratio of non-performing loans to credit exposure rose 1.8 percentage points to 6.5 per cent while the NPL coverage ratio decreased 13.4 percentage points to 47.2 per cent. Non-performing loans in the segment Southeastern Europe went up 7.5 per cent or € 135,770 thousand to € 1,943,836 thousand (2012: € 1,808,066 thousand), at the same time NPL ratio increased 1.2 percentage points to 12.1 per cent and NPL coverage ratio sank 3.6 percentage points to 58.4 per cent. In Central Europe, non-performing loans increased 1.8 per cent or € 61,764 thousand to € 3,508,780 thousand (2012: € 3,447,016 thousand). Simultaneously, the NPL ratio rose 0.6 percentage points to 11.4 per cent and the NPL coverage ratio improved 0.3 percentage points to 64.3 per cent. In the segment Group Markets, non-performing loans sank 14.4 per cent or € 59,198 thousand to € 351,271 thousand (2012: € 410,469 thousand), the NPL ratio increased 0.1 percentage points to 2.1 per cent and the NPL coverage ratio improved 4.9 percentage points to 84.7 per cent. In CIS Other, non-performing loans declined 15.2 per cent or € 198,935 thousand to € 1,107,805 thousand (2012: € 1,306,740 thousand). Also the NPL ratio declined 1.4 percentage points to 23.3 per cent while the NPL coverage ratio improved 2.0 percentage points to 72.2 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 1/1/2013 | Change in consolidated group | Allocation[1] | Release | Usage[2] | Transfers, exchange differences | As of 31/12/2013 |
|---|---|---|---|---|---|---|---|
| **Individual loan loss provisions** | **4,843,476** | **(18,206)** | **1,955,107** | **(739,935)** | **(1,059,451)** | **214,288** | **5,195,279** |
| Loans and advances to banks | 145,805 | (15,678) | 168 | (4,584) | (11,464) | (2,800) | 111,447 |
| Loans and advances to customers | 4,593,102 | (45) | 1,914,424 | (680,553) | (1,037,505) | 220,716 | 5,010,140 |
| Off-balance sheet obligations | 104,569 | (2,484) | 40,515 | (54,798) | (10,482) | (3,628) | 73,692 |
| **Portfolio-based loan loss provisions** | **949,763** | **(5,867)** | **319,217** | **(371,047)** | **(139)** | **(362,548)** | **529,379** |
| Loans and advances to banks | 11,914 | 0 | 3,869 | (4,506) | (1,903) | (2,658) | 6,715 |
| Loans and advances to customers | 891,076 | (5,867) | 298,915 | (341,384) | (7,663) | (357,903) | 477,173 |
| Off-balance sheet obligations | 46,773 | 0 | 16,433 | (25,156) | 9,428 | (1,987) | 45,490 |
| **Total** | **5,793,239** | **(24,073)** | **2,274,324** | **(1,110,981)** | **(1,059,590)** | **(148,260)** | **5,724,657** |

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 1/1/2012 | Change in consolidated group | Allocation[1] | Release | Usage[2] | Transfers, exchange differences | As of 31/12/2012 |
|---|---|---|---|---|---|---|---|
| **Individual loan loss provisions** | **4,441,418** | **90,013** | **1,750,104** | **(568,284)** | **(908,582)** | **38,807** | **4,843,476** |
| 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 |
| **Portfolio-based loan loss provisions** | **762,777** | **337,897** | **361,008** | **(525,111)** | **0** | **13,192** | **949,763** |
| 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 |
| **Total** | **5,204,195** | **427,910** | **2,111,112** | **(1,093,396)** | **(908,582)** | **51,999** | **5,793,239** |

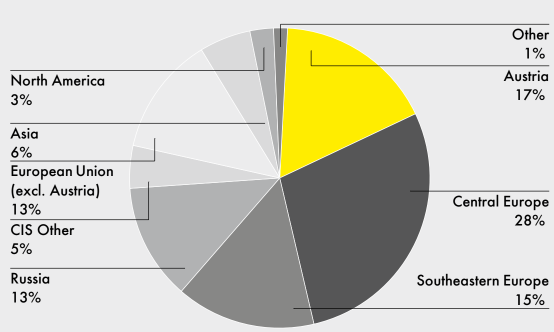
1 Allocation including direct write-downs and income on written-down claims.
2 Usage including direct write-downs and income on written-down claims.

The following table shows the breakdown of loan loss provisions according to segments:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Individual loan loss provisions** | **5,195,279** | **4,843,476** |
| Central Europe | 2,123,019 | 1,735,318 |
| Southeastern Europe | 1,037,689 | 1,004,772 |
| Russia | 315,201 | 415,011 |
| CIS Other | 737,740 | 841,606 |
| Group Corporates | 576,036 | 490,396 |
| Group Markets | 307,246 | 337,380 |
| Corporate Center | 98,350 | 18,993 |
| **Portfolio-based loan loss provisions** | **529,379** | **949,763** |
| Central Europe | 176,323 | 547,839 |
| Southeastern Europe | 115,193 | 130,217 |
| Russia | 67,426 | 89,179 |
| CIS Other | 63,906 | 78,995 |
| Group Corporates | 89,108 | 96,789 |
| Group Markets | 10,009 | 5,098 |
| Corporate Center | 7,414 | 1,646 |
| **Total** | **5,724,657** | **5,793,239** |

## Country risk

Credit exposure to customers by region




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 | 2013 | Share | 2012[1] | Share |
|---|---|---|---|---|
| **Austria** | **27,976,394** | **17.1%** | **30,709,805** | **18.1%** |
| **Central Europe** | **46,349,852** | **28.4%** | **47,879,145** | **28.1%** |
| Poland | 14,181,171 | 8.7% | 14,599,175 | 8.6% |
| Slovakia | 11,706,327 | 7.2% | 11,425,565 | 6.7% |
| Czech Republic | 10,700,350 | 6.6% | 11,090,163 | 6.5% |
| Hungary | 8,033,629 | 4.9% | 8,734,720 | 5.1% |
| Other | 1,728,376 | 1.1% | 2,029,522 | 1.2% |
| **European Union** | **20,890,041** | **12.8%** | **23,033,715** | **13.5%** |
| Germany | 5,546,180 | 3.4% | 6,198,215 | 3.6% |
| France | 5,106,338 | 3.1% | 5,261,538 | 3.1% |
| Great Britain | 4,293,542 | 2.6% | 6,932,414 | 4.1% |
| Netherlands | 1,599,847 | 1.0% | 1,435,803 | 0.8% |
| Other | 4,344,133 | 2.7% | 3,205,744 | 1.9% |
| **Southeastern Europe** | **24,561,839** | **15.0%** | **24,586,840** | **14.5%** |
| Romania | 8,597,163 | 5.3% | 8,006,208 | 4.7% |
| Croatia | 5,351,289 | 3.3% | 5,663,421 | 3.3% |
| Bulgaria | 3,913,964 | 2.4% | 4,263,157 | 2.5% |
| Serbia | 2,217,096 | 1.4% | 2,073,441 | 1.2% |
| Other | 4,482,327 | 2.7% | 4,580,613 | 2.7% |
| **Russia** | **20,439,621** | **12.5%** | **19,861,137** | **11.7%** |
| **Asia** | **9,032,724** | **5.5%** | **9,670,143** | **5.7%** |
| China | 4,208,191 | 2.6% | 4,167,045 | 2.4% |
| Singapore | 1,516,165 | 0.9% | 1,754,353 | 1.0% |
| Other | 3,308,368 | 2.0% | 3,748,745 | 2.2% |
| **CIS Other** | **7,508,601** | **4.6%** | **7,409,040** | **4.4%** |
| Ukraine | 5,544,850 | 3.4% | 5,633,492 | 3.3% |
| Other | 1,963,751 | 1.2% | 1,775,548 | 1.0% |
| **North America** | **4,134,308** | **2.5%** | **3,496,344** | **2.1%** |
| **Rest of the World** | **2,429,219** | **1.5%** | **3,451,271** | **2.0%** |
| **Total** | **163,322,599** | **100.0%** | **170,097,440** | **100.0%** |

1 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 | 2013 | Share | 2012 | Share |
|---|---|---|---|---|
| Banking and insurance | 42,712,673 | 26.2% | 52,812,304 | 31.0% |
| Private households | 27,272,431 | 16.7% | 23,100,219 | 13.6% |
| Wholesale trade and commission trade (except car trading) | 16,086,635 | 9.8% | 16,411,674 | 9.6% |
| Other manufacturing | 12,323,902 | 7.5% | 11,931,206 | 7.0% |
| Public administration and defence and social insurance institutions | 10,991,094 | 6.7% | 10,852,465 | 6.4% |
| Real estate activities | 9,992,147 | 6.1% | 10,012,287 | 5.9% |
| Construction | 6,550,982 | 4.0% | 7,053,404 | 4.1% |
| Other business activities | 5,414,023 | 3.3% | 5,968,485 | 3.5% |
| Retail trade except repair of motor vehicles | 4,093,906 | 2.5% | 4,756,928 | 2.8% |
| Electricity, gas, steam and hot water supply | 4,163,444 | 2.5% | 3,208,655 | 1.9% |
| Manufacture of basic metals | 2,542,925 | 1.6% | 2,673,415 | 1.6% |
| Manufacture of food products and beverages | 2,427,679 | 1.5% | 2,374,371 | 1.4% |
| Land transport, transport via pipelines | 2,082,848 | 1.3% | 2,006,119 | 1.2% |
| Other transport | 1,937,512 | 1.2% | 2,156,079 | 1.3% |
| Manufacture of machinery and equipment | 1,479,573 | 0.9% | 1,443,315 | 0.8% |
| Extraction of crude petroleum and natural gas | 1,218,276 | 0.7% | 1,414,478 | 0.8% |
| Sale of motor vehicles | 1,175,319 | 0.7% | 1,350,370 | 0.8% |
| Other industries | 10,857,229 | 6.6% | 10,571,667 | 6.2% |
| **Total** | **163,322,599** | **100.0%** | **170,097,440** | **100.0%** |

### 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 (38) securitization. Around 73.3 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 therefore 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<br>€ 000 | VaR as of 31/12/2013 | Average VaR | Minimum VaR | Maximum VaR | VaR as of 31/12/2012 |
|---|---|---|---|---|---|
| Currency risk[1] | 41,481 | 52,270 | 33,958 | 84,584 | 52,295 |
| Interest rate risk | 3,373 | 2,837 | 1,688 | 4,577 | 3,220 |
| Credit spread risk | 4,931 | 5,750 | 3,301 | 11,462 | 3,262 |
| Share price risk | 832 | 1,649 | 832 | 2,359 | 2,129 |
| Vega risk | 348 | 716 | 342 | 1,539 | 658 |
| Total | 45,892 | 59,291 | 41,565 | 88,554 | 59,096 |

1 Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

| Banking book VaR 99% 1d<br>€ 000 | VaR as of 31/12/2013 | Average VaR | Minimum VaR | Maximum VaR | VaR as of 31/12/2012 |
|---|---|---|---|---|---|
| Interest rate risk | 7,627 | 13,014 | 5,158 | 28,548 | 16,100 |
| Credit spread risk | 16,854 | 21,317 | 12,875 | 45,060 | 17,636 |
| Vega risk | 423 | 1,003 | 353 | 1,680 | 1,044 |
| Total | 19,100 | 26,171 | 14,561 | 44,121 | 23,532 |

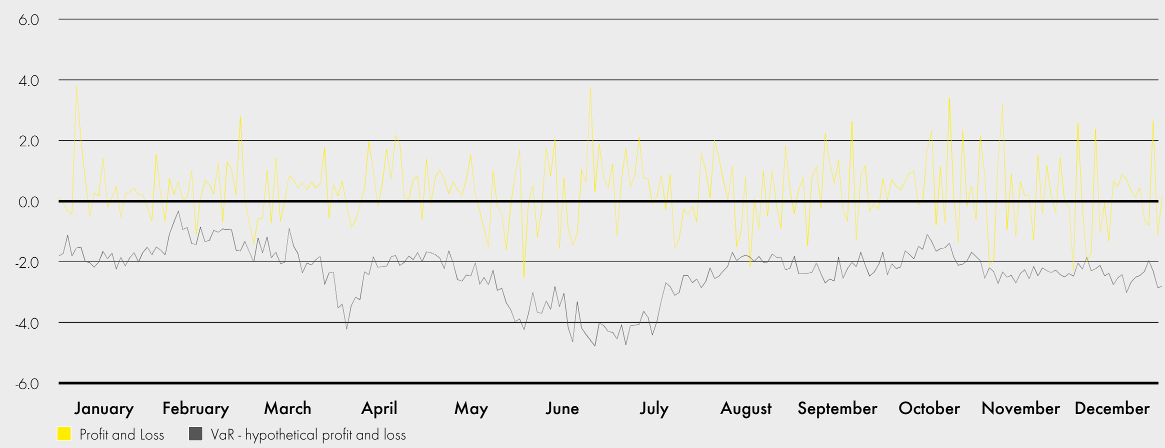
| Total VaR 99% 1d<br>€ 000 | VaR as of 31/12/2013 | Average VaR | Minimum VaR | Maximum VaR | VaR as of 31/12/2012 |
|---|---|---|---|---|---|
| Currency risk[1] | 41,478 | 52,270 | 33,956 | 84,584 | 52,218 |
| Interest rate risk | 9,203 | 14,295 | 6,600 | 29,902 | 16,768 |
| Credit spread risk | 21,508 | 26,076 | 17,034 | 53,487 | 20,805 |
| Share price risk | 832 | 1,649 | 832 | 2,359 | 2,129 |
| Vega risk | 219 | 683 | 196 | 1,423 | 860 |
| Total | 56,961 | 74,367 | 52,623 | 116,303 | 70,725 |

1 Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

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 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. The material model change to integrate the vega risk in the internal model was approved by FMA in April 2013.

## Value-at-Risk and theoretical market price changes of trading book

in € million




### 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 2013 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 | 2013 | 2012 |
|---|---|---|
| ALL | 267,954 | 277,703 |
| BAM | 259,148 | 266,547 |
| BGN | 64,118 | 5,722 |
| BYR | 199,771 | 170,343 |
| CNY | 272,150 | 167,079 |
| CZK | 776,215 | 768,028 |
| HRK | 700,082 | 741,430 |
| HUF | 369,969 | 461,277 |
| PLN | 1,702,785 | 2,191,602 |
| RON | 675,266 | 637,737 |
| RSD | 493,711 | 482,423 |
| RUB | 2,546,995 | 2,548,528 |
| UAH | 948,398 | 911,993 |
| USD | (216,212) | (51,719) |

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 to changes in 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 2013 and 31 December 2012. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately. There are only minor changes in the risk factors within the reporting period.

| 2013<br>€ 000 | Total | Up to 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 | (40) | (1) | (4) | (3) | (4) | (4) | (9) | (15) | 0 | 0 | 0 | 0 |
| BGN | (9) | 0 | 0 | 0 | (2) | (2) | (5) | 0 | 0 | 0 | 0 | 0 |
| CHF | (15) | (3) | 12 | (25) | 4 | 1 | (8) | 6 | 0 | 0 | (1) | (1) |
| CNH | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EUR | (222) | (22) | (2) | 24 | (172) | (73) | (37) | 92 | (28) | 8 | (26) | 14 |
| GBP | (1) | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HRK | (16) | 0 | 0 | (4) | (7) | (3) | (2) | 0 | 0 | 0 | 0 | 0 |
| HUF | (3) | 0 | 6 | (14) | 0 | 0 | 4 | 0 | 0 | 1 | 0 | 0 |
| JPY | (3) | (1) | 0 | (2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PLN | 3 | 7 | (2) | (9) | 6 | 3 | (3) | (2) | 3 | 0 | 0 | 0 |
| RON | (3) | 0 | 0 | 2 | 0 | 0 | 1 | (2) | (4) | 0 | 0 | 0 |
| RUB | (142) | (6) | (5) | (1) | (46) | (5) | (42) | (20) | (16) | (1) | 0 | 0 |
| USD | 13 | (6) | 9 | 23 | (21) | (33) | (5) | 11 | (40) | (5) | 83 | (3) |
| Other | 2 | (1) | 2 | 0 | (4) | (9) | 12 | 1 | 4 | (3) | 0 | 0 |

| 2012<br>€ 000 | Total | Up to 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) |

### 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 2013, 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 2013 and 31 December 2012. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately.

| 2013<br>€ 000 | Total | Up to 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 | (14) | 1 | (1) | 9 | (12) | (1) | (7) | (1) | (2) | 0 | 0 | 0 |
| BAM | 16 | (2) | 0 | 2 | 8 | 2 | 2 | 0 | 2 | 2 | 0 | 0 |
| BGN | (13) | (2) | (1) | 5 | (1) | (4) | (7) | (1) | (1) | (1) | 0 | 0 |
| BYR | (23) | 0 | 1 | (7) | (4) | (5) | (3) | (2) | (2) | (1) | 0 | 0 |
| CAD | (4) | 4 | (8) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CHF | (131) | (26) | 7 | 23 | (10) | (59) | (13) | 3 | 1 | (40) | (16) | (1) |
| CNY | 10 | (8) | 4 | 12 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CZK | 8 | 5 | (9) | 26 | (8) | 2 | 4 | (3) | (2) | (3) | (3) | (1) |
| EUR | 153 | (1) | (10) | 55 | 32 | (184) | 509 | (36) | (131) | 70 | (58) | (93) |
| HRK | (84) | (4) | 1 | (4) | (5) | (29) | (17) | (13) | (13) | 0 | 0 | 0 |
| HUF | (26) | (4) | (9) | (3) | 4 | 11 | 9 | (18) | (14) | (2) | 0 | 0 |
| RON | (72) | (2) | (3) | (9) | (30) | 6 | (6) | (20) | (6) | (1) | (1) | 0 |
| RSD | (20) | (2) | (2) | (3) | (9) | (3) | (1) | 0 | 0 | 0 | 0 | 0 |
| RUB | (163) | (8) | (3) | (15) | (15) | (95) | 84 | (49) | (41) | (18) | (3) | 0 |
| SGD | 6 | (2) | 0 | 9 | (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UAH | (56) | (2) | 3 | (2) | (42) | (8) | 14 | (7) | (8) | (4) | 0 | 0 |
| USD | (7) | 32 | 45 | 116 | 1 | (73) | (68) | (10) | (52) | 3 | 1 | (2) |
| Other | (1) | 11 | 15 | 15 | (49) | 1 | 9 | (2) | (1) | 0 | 0 | 0 |

| 2012<br>€ 000 | Total | Up to 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 |

## 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.

# 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 analyses 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. 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).

## 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).

| € 000 | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| Maturity | 1 week | 1 month | 1 year | 1 week | 1 month | 1 year |
| Liquidity gap | 15,222,987 | 12,371,670 | 13,123,718 | 14,823,261 | 12,224,675 | 13,466,567 |
| Liquidity ratio | 155% | 126% | 113% | 135% | 118% | 110% |

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) in the individual network banks take into account the 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:

| 2013<br>€ 000 | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 up to 12 months | More than 1 year up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | **115,131,685** | **125,340,412** | **76,519,554** | **15,840,079** | **24,064,488** | **8,916,291** |
| Deposits from banks | 30,104,865 | 34,194,631 | 18,695,918 | 4,100,160 | 9,350,547 | 2,048,006 |
| Deposits from customers | 66,436,635 | 69,291,405 | 51,498,939 | 9,813,668 | 5,765,635 | 2,213,162 |
| Debt securities issued | 11,532,645 | 12,948,883 | 3,284,053 | 1,305,860 | 7,128,116 | 1,230,854 |
| Other liabilities | 2,929,951 | 3,581,250 | 2,583,644 | 440,091 | 489,784 | 67,732 |
| Subordinated capital | 4,127,589 | 5,324,243 | 457,000 | 180,300 | 1,330,406 | 3,356,537 |
| **Derivative liabilities** | **4,411,212** | **13,873,781** | **7,008,251** | **2,533,086** | **3,358,743** | **973,703** |
| Derivatives in the trading book | 4,026,804 | 10,678,912 | 4,501,009 | 2,278,143 | 3,032,400 | 867,361 |
| Hedging derivatives | 132,536 | 166,465 | 44,752 | 11,062 | 50,755 | 59,897 |
| Other derivatives | 251,593 | 2,651,230 | 2,085,316 | 243,881 | 275,588 | 46,445 |
| Credit derivatives | 279 | 377,174 | 377,174 | 0 | 0 | 0 |
| **Contingent liabilities** | **10,989,526** | **2,477,125** | **1,231,072** | **881,333** | **215,849** | **148,872** |
| Acceptances and endorsements | 0 | 0 | 0 | 0 | 0 | 0 |
| Credit guarantees | 6,198,703 | 546,418 | 118,417 | 289,872 | 70,766 | 67,363 |
| Other guarantees | 2,504,219 | 341,590 | 85,550 | 144,423 | 41,758 | 69,859 |
| Letters of credit (documentary business) | 2,188,542 | 1,583,943 | 1,027,105 | 441,863 | 103,325 | 11,650 |
| Other contingent liabilities | 98,062 | 5,174 | 0 | 5,174 | 0 | 0 |
| **Commitments** | **10,278,862** | **10,321,586** | **4,370,871** | **1,224,735** | **4,469,379** | **256,601** |
| Irrevocable credit lines | 10,278,862 | 10,321,586 | 4,370,871 | 1,224,735 | 4,469,379 | 256,601 |

| 2012<br>€ 000 | Carrying amount | Contractual cash flows | Up to 3 months | More than 3 up to 12 months | More than 1 year up to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | **116,603,278** | **133,200,971** | **75,807,909** | **20,333,819** | **28,005,140** | **9,054,101** |
| 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 |
| **Derivative liabilities** | **7,918,858** | **16,692,593** | **6,084,335** | **2,750,440** | **6,382,711** | **1,475,106** |
| 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 |
| **Contingent liabilities** | **11,706,829** | **3,178,498** | **1,872,051** | **850,314** | **266,069** | **190,063** |
| Acceptances and endorsements | 37,670 | 35,007 | 33,394 | 1,614 | 0 | 0 |
| Credit guarantees | 6,507,029 | 590,827 | 118,481 | 333,505 | 109,451 | 29,390 |
| Other guarantees | 2,375,399 | 198,180 | 128,401 | 38,352 | 27,584 | 3,842 |
| Letters of credit (documentary business) | 2,732,703 | 2,346,401 | 1,583,692 | 476,843 | 129,034 | 156,831 |
| Other contingent liabilities | 54,028 | 8,083 | 8,083 | 0 | 0 | 0 |
| **Commitments** | **10,609,130** | **9,321,561** | **2,442,556** | **1,893,849** | **4,529,347** | **455,809** |
| Irrevocable credit lines | 10,609,130 | 9,321,561 | 2,442,556 | 1,893,849 | 4,529,347 | 455,809 |

Adaption of previous year figures due to higher detailing.

# 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 also 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 according to risk categories such as business processes and event types. Moreover, risk assessment 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 scenarios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics.

### 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 as well as to track further on measures and control efficiency. 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

## (43) Derivative financial instruments

| 2013<br>€ 000 | Nominal amount by maturity<br>Up to 1 year | More than 1 year up to 5 years | More than 5 years | Total | Fair values<br>Positive | Negative |
|---|---|---|---|---|---|---|
| **Total** | **78,040,200** | **65,470,099** | **42,887,764** | **186,398,063** | **4,206,434** | **(4,412,069)** |
| **Interest rate contracts** | **30,570,093** | **53,288,726** | **40,047,378** | **123,906,197** | **3,378,184** | **(2,773,952)** |
| OTC products | | | | | | |
| Interest rate swaps | 25,727,466 | 46,752,103 | 35,324,359 | 107,803,929 | 3,210,034 | (2,604,230) |
| Interest rate futures | 2,731,254 | 165,871 | 0 | 2,897,125 | 2,463 | (2,614) |
| Interest rate options – purchased | 964,268 | 2,832,996 | 2,012,651 | 5,809,915 | 159,504 | 0 |
| Interest rate options – sold | 684,477 | 2,931,551 | 2,546,351 | 6,162,379 | 0 | (166,215) |
| Other similar contracts | 11,278 | 0 | 0 | 11,278 | 0 | 0 |
| Products trading on stock exchange | | | | | | |
| Interest rate futures | 451,350 | 606,204 | 124,017 | 1,181,571 | 5,910 | (893) |
| Interest rate options | 0 | 0 | 40,000 | 40,000 | 274 | 0 |
| **Foreign exchange rate and gold contracts** | **45,597,652** | **9,059,471** | **2,409,684** | **57,066,807** | **748,253** | **(655,470)** |
| OTC products | | | | | | |
| Cross-currency interest rate swaps | 5,188,688 | 8,020,118 | 2,372,280 | 15,581,087 | 230,414 | (315,793) |
| Forward foreign exchange contracts | 36,228,365 | 803,930 | 22,667 | 37,054,962 | 471,750 | (263,912) |
| Currency options – purchased | 1,984,514 | 117,004 | 0 | 2,101,519 | 43,199 | 0 |
| Currency options – sold | 1,870,663 | 118,417 | 0 | 1,989,081 | 0 | (48,226) |
| Other similar currency contracts | 0 | 0 | 0 | 0 | 0 | 0 |
| Gold commodity contracts | 23,654 | 0 | 14,737 | 38,391 | 7 | (25,044) |
| Other contracts on gold basis | 0 | 0 | 0 | 0 | 125 | 0 |
| Products trading on stock exchange | | | | | | |
| Currency contracts (futures) | 301,768 | 0 | 0 | 301,768 | 2,757 | (2,495) |
| **Equity/index contracts** | **1,507,466** | **1,507,254** | **407,101** | **3,421,821** | **59,334** | **(840,545)** |
| OTC products | | | | | | |
| Equity-/index-based options – purchased | 64,143 | 386,892 | 122,448 | 573,483 | 31,690 | 0 |
| Equity-/index-based options – sold | 170,754 | 455,754 | 78,364 | 704,871 | 0 | (62,945) |
| Other similar equity/index contracts | 184,188 | 600,660 | 206,288 | 991,136 | 1,529 | (740,417) |
| Products trading on stock exchange | | | | | | |
| Equity/index futures – forward pricing | 769,345 | 597 | 0 | 769,942 | 16,879 | (28,816) |
| Equity/index futures | 319,036 | 63,351 | 0 | 382,387 | 9,237 | (8,366) |
| **Commodities** | **201,584** | **170,660** | **11,415** | **383,659** | **10,294** | **(115,948)** |
| **Credit derivatives** | **115,758** | **1,431,265** | **0** | **1,547,023** | **10,325** | **(8,721)** |
| **Precious metals contracts** | **47,647** | **12,724** | **12,186** | **72,556** | **43** | **(17,433)** |

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.

| 2012<br>€ 000 | Nominal amount by maturity<br>Up to 1 year | More than 1 year up to 5 years | More than 5 years | Total | Fair values<br>Positive | Negative |
|---|---|---|---|---|---|---|
| **Total** | **102,857,794** | **99,745,092** | **55,788,911** | **258,391,797** | **8,221,285** | **(7,918,857)** |
| **Interest rate contracts** | **51,068,628** | **85,143,946** | **53,148,502** | **189,361,075** | **7,246,469** | **(6,291,587)** |
| 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) |
| **Foreign exchange rate and gold contracts** | **49,699,592** | **11,606,251** | **2,259,079** | **63,564,923** | **848,181** | **(773,868)** |
| 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) |
| **Equity/index contracts** | **1,502,664** | **1,308,463** | **344,994** | **3,156,120** | **106,630** | **(834,981)** |
| 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) |
| **Commodities** | **231,916** | **77,926** | **14,364** | **324,206** | **3,622** | **(2,003)** |
| **Credit derivatives** | **311,648** | **1,572,644** | **5,000** | **1,889,292** | **16,198** | **(13,745)** |
| **Precious metals contracts** | **43,346** | **35,862** | **16,973** | **96,181** | **185** | **(2,672)** |

# (44) 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.

| 2013<br>€ 000 | Level I | Level II | Level III | Fair value | Carrying amount | Difference |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash reserve | 0 | 6,674,226 | 0 | 6,674,226 | 6,674,226 | 0 |
| Loans and advances to banks | 0 | 16,657,868 | 5,509,804 | 22,167,673 | 22,125,059 | 42,614 |
| Loans and advances to customers | 0 | 20,268,017 | 53,756,660 | 74,024,678 | 75,147,307 | (1,122,629) |
| Financial investments | 3,764,363 | 612,673 | 405,929 | 4,782,964 | 4,671,875 | 111,089 |
| **Liabilities** | | | | | | |
| Deposits from banks | 0 | 26,389,191 | 3,816,750 | 30,205,941 | 30,104,866 | 101,075 |
| Deposits from customers | 0 | 34,889,786 | 31,647,440 | 66,537,226 | 66,436,636 | 100,591 |
| Debt securities issued | 278,283 | 9,042,953 | 158,686 | 9,479,922 | 9,411,146 | 68,776 |
| Subordinated capital | 0 | 3,672,880 | 32,731 | 3,705,611 | 3,636,812 | 68,799 |

As of year-end 2012, the fair value of loans and advances to banks amounted to € 22,225,565 thousand (carrying amount € 22,165,582 thousand), the fair value of loans and advances to customers amounted to € 77,989,722 thousand (carrying amount € 77,859,090 thousand) and the fair value of financial investments amounted to € 5,104,482 thousand (carrying amount € 4,955,812 thousand). On the liabilities side a fair value of € 30,175,450 thousand (carrying amount € 30,186,449 thousand) was calculated for deposits from banks, for deposits from customers the fair value was € 66,538,857 thousand (carrying amount € 66,297,151 thousand), for debt securities issued the fair value was € 10,765,307 thousand (carrying amount € 10,812,467 thousand) and for subordinated capital the fair value was € 2,805,324 thousand (carrying amount € 3,056,925 thousand).

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

| € 000 | 2013<br>Level I | Level II | Level III | 2012<br>Level I | Level II | Level III |
|---|---|---|---|---|---|---|
| **Trading assets** | **4,069,863** | **3,755,398** | **164,884** | **2,118,474** | **8,304,751** | **93,491** |
| Positive fair values of derivatives[1] | 59,118 | 3,481,137 | 88,009 | 99,561 | 7,327,349 | 92,712 |
| Shares and other variable-yield securities | 402,805 | 4,460 | 306 | 264,612 | 11,915 | 723 |
| Bonds, notes and other fixed-interest securities | 3,607,941 | 269,800 | 76,569 | 1,754,302 | 965,485 | 56 |
| Call/time deposits from trading purposes | 0 | 0 | 0 | 0 | 2 | 0 |
| **Financial assets at fair value through profit or loss** | **4,788,178** | **1,557,292** | **12,131** | **5,099,215** | **3,232,801** | **16,205** |
| Shares and other variable-yield securities | 42,584 | 102,595 | 4,889 | 47,830 | 105,301 | 5,072 |
| Bonds, notes and other fixed-interest securities | 4,745,594 | 1,454,696 | 7,242 | 5,051,385 | 3,127,501 | 11,133 |
| **Financial assets available-for-sale** | **345,844** | **2,106,577** | **48,769** | **56,362** | **0** | **0** |
| Other interests[2] | 4,434 | 24,674 | 37,143 | 56,362 | 0 | 0 |
| Bonds, notes and other fixed-interest securities | 341,409 | 2,081,903 | 11,627 | | 0 | 0 |
| **Derivatives (hedging)** | **0** | **549,903** | **23,101** | **0** | **701,663** | **0** |
| Positive fair values of derivatives from hedge accounting | 0 | 549,903 | 23,101 | 0 | 701,663 | 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 | 2013<br>Level I | Level II | Level III | 2012<br>Level I | Level II | Level III |
|---|---|---|---|---|---|---|
| **Trading liabilities** | **630,609** | **4,801,262** | **23,894** | **787,531** | **8,360,940** | **27,642** |
| Negative fair values of derivatives financial instruments[1] | 128,849 | 4,133,186 | 16,640 | 165,420 | 7,613,185 | 20,320 |
| Call/time deposits from trading purposes | 0 | 0 | 0 | 0 | 10,045 | 0 |
| Short-selling of trading assets | 501,760 | 49,699 | | 622,111 | 52 | 0 |
| Certificates issued | 0 | 618,377 | 7,254 | 0 | 737,658 | 7,322 |
| **Liabilities at fair value through profit and loss** | **0** | **2,612,277** | **0** | | **3,357,758** | **0** |
| Debt securities issued | 0 | 2,121,500 | 0 | 0 | 2,477,634 | 0 |
| Subordinated capital | | 490,777 | 0 | | 880,124 | 0 |
| **Derivatives (hedging)** | **0** | **132,536** | **0** | **0** | **119,933** | **0** |
| Negative fair values of derivatives from hedge accounting | 0 | 132,536 | 0 | 0 | 119,933 | 0 |

1 Including other derivatives.

Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

## Movements between Level I and Level II

In 2013, mainly bonds and other fixed-income securities in the amount of € 142,337 thousand have been transferred from level I to level II driven by a reduced market liquidity of individual products.

## 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 1/1/2013 | Changes in consolidated group | Exchange differences | Purchases | Sales, repayment |
|---|---|---|---|---|---|
| Trading assets | 93,491 | 0 | (452) | 19,668 | (23,466) |
| Financial assets at fair value through profit or loss | 16,205 | 0 | (228) | 19,911 | (20,125) |
| Financial assets available-for-sale | 0 | | | 11,627 | |
| Derivatives (hedging) | 0 | 0 | 0 | 18,445 | 0 |

| € 000 | Gains/loss in P/L | Gains/loss in other comprehensive income | Transfer to level III | Transfer from level III | As of 31/12/2013 |
|---|---|---|---|---|---|
| Trading assets | 15,500 | 0 | 60,142 | 0 | 164,884 |
| Financial assets at fair value through profit or loss | (2,781) | (286) | 5,022 | (5,587) | 12,131 |
| Financial assets available-for-sale | | | | | 11,627 |
| Derivatives (hedging) | 0 | 4,656 | 0 | 0 | 23,101 |

| € 000 | As of 1/1/2013 | Changes in consolidated group | Exchange differences | Purchases | Sales, repayment |
|---|---|---|---|---|---|
| Trading liabilities | 27,642 | 0 | 0 | 0 | 0 |

| € 000 | Gains/loss in P/L | Gains/loss in other comprehensive income | Transfer to level III | Transfer from level III | As of 31/12/2013 |
|---|---|---|---|---|---|
| Trading liabilities | (3,748) | 0 | 0 | 0 | 23,894 |

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted in 2013 to minus € 8,971 thousand (2012: minus € 7,434 thousand).

## Qualitative informationen for the measurement of Level III financial instruments

| Financial assets | Type | Fair value in € million | Valuation technique | Significant unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|---|
| Shares and other variable-yield securities | Closed end real estate fund | 0 | Net asset value | Haircuts | 20% – 50% |
| Shares and other variable-yield securities | Shares | 5 | Approximation method | – | – |
| Bonds, notes and other fixed-interest securities | Fixed coupon bonds | 95 | Discounted cash flow | Credit spread | 10% – 20% |
| Bonds, notes and other fixed-interest securities | Asset backed securities | 0 | Broker estimate | Probability of default<br>Loss severity<br>Expected prepayment rate | – |
| Positive fair value of banking book derivatives without hedge accounting | Forward foreign exchange contracts | 111 | Discounted cash flow | Interest rate | 10% – 30% |
| **Total** | | **212** | | | |

| Financial liabilities | Type | Fair value in € million | Valuation technique | Significant unobservable inputs | Range of unobservable inputs |
|---|---|---|---|---|---|
| Negative fair value of banking book derivatives without hedge accounting | OTC options | 17 | Option model | Closing Period<br>Currency risk<br>LT volatility<br>Index category | 2% - 16%<br>0% - 5%<br>0% - 3%<br>0% - 5% |
| Issued certificates for trading purposes | Certificates | 7 | Option model | Closing period<br>Bid-Ask Spread<br>LT Volatility<br>Index category | 0% - 3%<br>0% - 3%<br>0% - 3%<br>0% - 2.5% |
| **Total** | | **24** | | | |

# (46) Contingent liabilities and commitments

| € 000 | 2013 | 2012 |
|---|---|---|
| **Contingent liabilities** | **10,989,527** | **11,706,829** |
| Acceptances and endorsements | 38,141 | 37,670 |
| Credit guarantees | 6,198,703 | 6,507,029 |
| Other guarantees | 2,504,219 | 2,375,399 |
| Letters of credit (documentary business) | 2,188,542 | 2,732,703 |
| Other contingent liabilities | 59,921 | 54,028 |
| **Commitments** | **10,278,861** | **10,609,130** |
| Irrevocable credit lines and stand-by facilities | 10,278,861 | 10,609,130 |
| Up to 1 year | 2,797,602 | 3,970,674 |
| More than 1 year | 7,481,260 | 6,638,456 |

The following table contains revocable credit lines which are unweighted according to Basel II:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Revocable credit lines** | **16,726,791** | **16,223,936** |
| Up to 1 year | 11,983,086 | 11,382,177 |
| More than 1 year | 3,823,609 | 3,625,806 |
| Without maturity | 920,095 | 1,215,953 |

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).

# (47) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

| € 000 | 2013 | 2012 |
|---|---|---|
| Loans and advances to banks | 9,402 | 8,239 |
| Loans and advances to customers | 290,229 | 267,512 |
| Financial investments | 9,285 | 9,293 |
| Other fiduciary assets | 70,006 | 70,175 |
| **Fiduciary assets** | **378,921** | **355,219** |
| Deposits from banks | 131,957 | 115,565 |
| Deposits from customers | 173,067 | 160,388 |
| Other fiduciary liabilities | 73,897 | 79,266 |
| **Fiduciary liabilities** | **378,921** | **355,219** |

Fiduciary income and expenses break down as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Fiduciary income | 13,476 | 5,911 |
| Fiduciary expenses | 288 | 210 |

The following table contains the funds managed by RBI:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Retail investment funds** | **3,929,158** | **6,578,312** |
| Equity-based and balanced funds | 2,852,222 | 4,478,591 |
| Bond-based funds | 908,530 | 1,948,411 |
| Money market funds | 0 | 93,311 |
| Other | 168,406 | 57,999 |
| **Special funds** | **1,096,256** | **1,049,481** |
| **Property-based funds** | **254,384** | **125,375** |
| **Total** | **5,279,798** | **7,753,169** |

# (48) Finance leases

| € 000 | 2013 | 2012 |
|---|---|---|
| **Gross investment value** | **3,239,342** | **3,273,479** |
| Minimum lease payments | 3,215,703 | 3,268,732 |
| Up to 3 months | 437,293 | 474,081 |
| More than 3 months, up to 1 year | 747,930 | 754,861 |
| More than 1 year to 5 years | 1,722,854 | 1,726,394 |
| More than 5 years | 307,626 | 313,396 |
| Non-guaranteed residual value | 23,638 | 4,748 |
| **Unearned finance income** | **376,119** | **409,268** |
| Up to 3 months | 43,144 | 47,028 |
| More than 3 months, up to 1 year | 96,356 | 107,217 |
| More than 1 year to 5 years | 192,199 | 208,247 |
| More than 5 years | 44,420 | 46,776 |
| **Net investment value** | **2,863,222** | **2,864,211** |

As of 31 December 2013, write-offs on unrecoverable minimum lease payments totaled € 61,592 thousand (2012: € 67,103 thousand).

Assets under finance leases break down as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Vehicles leasing | 1,733,857 | 1,733,921 |
| Real estate leasing | 561,691 | 537,160 |
| Equipment leasing | 567,674 | 593,130 |
| **Total** | **2,863,222** | **2,864,211** |

# (49) Operating leases

### Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Up to 1 year | 40,897 | 43,021 |
| More than 1 year up to 5 years | 80,818 | 81,544 |
| More than 5 years | 21,935 | 34,328 |
| **Total** | **143,651** | **158,894** |

### Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| Up to 1 year | 101,382 | 94,989 |
| More than 1 year up to 5 years | 172,254 | 171,831 |
| More than 5 years | 14,307 | 13,682 |
| **Total** | **287,943** | **280,502** |

# (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 (BWG) based on adequate guidelines of the EU and on the applicable regulation of the European Parliament. 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.

Control on a Group level is exerted by Planning & Finance. 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 capital) has an important role due to the complex mutual consideration limits (under Basel II).

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 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.

## Current regulatory developments – Basel III and CRR I/CRD IV respectively

The Basel Committee for banking supervision published a framework of global regulatory standards regarding capital adequacy and liquidity in December 2010. The aim of this framework is the strengthening of global capital and liquidity guidelines for a robust banking industry and an improved ability of the banking sector for absorption of financial and economic stress situations independent from the particular causes.

Basel III was implemented in the European Union via a regulation and directive. The final regulation (CRR I) and the directive (CRD IV) was published on 27 June 2013 in the EU Official Journal.

CRR I became effective on 28 June 2013 and represents applicable law for all EU member states as of 1 January 2014. CRD IV became effective on 17 July and had to be transferred by all EU member states into local law until 31 December 2013. The new framework has to be applied since beginning of 2014 with a transitional period until 2023.

After phase-out of the transitional period Basel III and CRR I/CRD IV respectively provides harder specifications for the regulatory capital with a minimum of core capital (common equity tier 1) of 4.5 per cent, core capital (tier 1) of 6 per cent and total capital of 8 per cent. Moreover, all banks are obliged to hold a so-called "capital conservation buffer" of 2.5 per cent comprising common equity tier 1 in addition to the new minimum requirements. This brings the requirement for total common equity tier 1 to 7 per cent, for core capital (tier 1) to 8.5 per cent and for total capital to 10.5 per cent.

An additional buffer, the so called "countercyclical buffer", can be implemented by the member states in order to stem excess lending growth. Moreover, national supervisors can determine systemic risk buffers (1 to 5 per cent) as well as additional capital add-ons for systemic banks (0 to 3.5 per cent). In case systemic risk buffers as well as add-ons for systemic banks are determined for a banking institute, only the higher of the two values is applicable.

The impacts of Basel III respectively CRR I/CRD IV are displayed and analyzed in scenario calculations by Planning & Finance as well as Risk Controlling on an ongoing basis. The effects are included in planning and steering.

From 2014 on, the European Central Bank (ECB) takes over supervision of large banks in the Eurozone, whose balance sheet total exceeds € 30 billion or 20 per cent of the country's economic performance. As part of the RZB credit institution group, RBI is indirectly supervised by the European Central Bank (ECB).

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.

The determination of eligible own funds in accordance with Section 29a of the Austrian Banking Act (BWG) is based since the previous year on international accounting standards. The own funds of RBI according to Basel II break down as follows:

| € 000 | 2013 | 2012 |
|---|---:|---:|
| Paid-in capital | 5,668,558 | 5,668,616 |
| Earned capital | 3,134,557 | 3,071,012 |
| Non-controlling interests | 428,211 | 848,310 |
| Hybrid tier 1 capital | 441,252 | 441,252 |
| Intangible fixed assets | (705,048) | (750,409) |
| **Core capital (tier 1 capital)** | **8,967,530** | **9,278,781** |
| Deductions from core capital | (12,759) | (13,595) |
| **Eligible core capital (after deductions)** | **8,954,771** | **9,265,186** |
| Provision excess of internal rating approach positions | 221,143 | 225,893 |
| Hidden reserves | 8,230 | 33,844 |
| Long-term subordinated capital | 3,157,248 | 3,080,221 |
| **Additional own funds (tier 2 capital)** | **3,386,621** | **3,339,958** |
| Deduction items: participations, securitizations | (12,759) | (13,595) |
| **Eligible additional own funds (after deductions)** | **3,373,862** | **3,326,363** |
| Deduction items: insurance companies | 0 | (8,366) |
| Tier 2 capital available to be redesignated as tier 3 capital | 357,016 | 302,070 |
| **Total own funds** | **12,685,649** | **12,885,253** |
| **Total own funds requirement** | **6,391,722** | **6,625,725** |
| Excess own funds | 6,293,927 | 6,259,528 |
| Excess cover ratio | 98.5% | 94.5% |
| Core tier 1 ratio, total | 10.7% | 10.7% |
| Tier 1 ratio, credit risk | 13.7% | 13.6% |
| Tier 1 ratio, total | 11.2% | 11.2% |
| Own funds ratio | 15.9% | 15.6% |

The total own funds requirement is composed as follows:

| € 000 | 2013 | 2012 |
|---|---:|---:|
| **Risk-weighted assets according to section 22 BWG** | **65,334,163** | **68,136,388** |
| of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG | 5,226,733 | 5,450,911 |
| Standardized approach | 2,278,162 | 2,439,006 |
| Internal rating approach | 2,948,571 | 3,011,905 |
| Settlement risk | 7 | 1 |
| Own funds requirement for position risk in bonds, equities and commodities | 297,108 | 273,353 |
| Own funds requirement for open currency positions | 59,908 | 55,977 |
| Own funds requirement for operational risk | 807,966 | 845,483 |
| **Total own funds requirement** | **6,391,722** | **6,625,725** |

Risk-weighted assets for the credit risk according to asset classes break down as follows:

| € 000 | 2013 | 2012 |
|---|---|---|
| **Risk-weighted assets according to section 22 BWG on standardized approach** | **28,477,025** | **30,487,575** |
| Central governments and central banks | 1,846,988 | 2,063,350 |
| Regional governments | 86,775 | 97,513 |
| Public administration and non-profit organizations | 6,500 | 4,200 |
| Multilateral development banks | 0 | 1,150 |
| Banks | 370,513 | 368,225 |
| Corporate customers | 12,827,375 | 13,242,525 |
| Retail customers | 9,925,963 | 11,397,075 |
| Covered bonds | 1,038 | 1,313 |
| Mutual funds | 113,138 | 111,225 |
| Securitization position | 0 | 0 |
| Other positions | 3,298,738 | 3,201,000 |
| **Risk-weighted assets on internal rating approach** | **36,857,138** | **37,648,813** |
| Central governments and central banks | 316,700 | 402,650 |
| Banks | 3,098,900 | 3,702,150 |
| Corporate customers | 28,911,400 | 30,537,675 |
| Retail customers | 4,293,663 | 2,811,838 |
| Equity exposures | 143,563 | 90,238 |
| Securitization position | 92,913 | 104,263 |
| **Total** | **65,334,163** | **68,136,388** |

The following table provides an overview on the calculation methods that are applied to determine capital requirements in the subsidiaries:

| Unit | Credit risk Non-Retail | Credit risk Retail | Market risk | Operational risk |
|---|---|---|---|---|
| Raiffeisen Bank International AG, Vienna (Austria) | IRB[1] | n.a. | Internal model[2] | STA[3] |
| RBI Finance (USA) LLC, New York (USA) | IRB | STA[3] | 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 | IRB | STA | STA |
| Raiffeisenbank Austria d.d., Zagreb (Croatia) | IRB[4] | STA | STA | STA |
| Raiffeisenbank Russia d.d., Moscow (Russia) | IRB[4] | STA | STA | STA |
| All other units | STA | STA | STA | STA |

1 IRB = internal ratings-based approach.
2 Only for risk of open currency positions and general interest rate risk in the trading book.
3 STA = standardized approach.
4 Only on consolidated level.

# (51) Average number of staff

| Full-time equivalents | 2013 | 2012 |
|---|---|---|
| Salaried employees | 58,210 | 59,981 |
| Wage earners | 857 | 943 |
| **Total** | **59,067** | **60,924** |

| Full-time equivalents | 2013 | 2012 |
|---|---|---|
| Austria | 2,664 | 2,665 |
| Foreign | 56,403 | 58,259 |
| **Total** | **59,067** | **60,924** |

# (52) Expenses on severance payments and retirement benefits

| € 000 | 2013 | 2012 |
|---|---|---|
| Members of the management board and senior staff | 4,450 | 5,902 |
| Other employees | 15,421 | 22,961 |
| **Total** | **19,871** | **28,863** |

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. 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), one member 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.

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) 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 RBI's relations to key management are reported under note (54) Relations to key management.

| 2013<br>€ 000 | Parent companies | Affiliated companies | Companies valued at equity | Other interests |
|---|---|---|---|---|
| Loans and advances to banks | 6,031,955 | 88,846 | 217,580 | 120,209 |
| Loans and advances to customers | 0 | 1,524,967 | 41,220 | 295,139 |
| Trading assets | 0 | 47,195 | 1,345 | 2,147 |
| Financial investments | 0 | 405,018 | 2,371 | 66,252 |
| Investments in associates | 0 | 0 | 5,035 | 0 |
| Other assets including derivatives | 51,352 | 17,955 | 97 | 153 |
| Deposits from banks | 9,224,338 | 239,764 | 3,968,666 | 203,907 |
| Deposits from customers | 522 | 260,535 | 779,389 | 511,412 |
| Debt securities issued | 0 | 10,272 | 0 | 0 |
| Provisions for liabilities and charges | 0 | 1 | 0 | (5) |
| Trading liabilities | 0 | 78,151 | 0 | 288 |
| Other liabilities including derivatives | 158 | 23,145 | 367 | 77 |
| Subordinated capital | 51,840 | 0 | 0 | 0 |
| Guarantees given | 0 | 116,572 | 1,170 | 5,172 |
| Guarantees received | 925,008 | 390,302 | 200,903 | 40,379 |

| 2012<br>in € 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 |
| Debt securities issued | 0 | 0 | 0 | 0 |
| 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 |

| 2013<br>in € 000 | Parent companies | Affiliated companies | Companies valued at equity | Other interests |
|---|---|---|---|---|
| Interest income | 197 | 65,186 | 5,148 | 3,169 |
| Interest expenses | 139 | (93,786) | (30,197) | (2,102) |
| Dividends income | 0 | 8,860 | 122 | 3,994 |
| Fee and commission income | 24 | 12,951 | 880 | 168 |
| Fee and commission expense | 0 | (310) | (213) | (430) |

# (54) 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 | 2013 | 2012 |
|---|---|---|
| Sight deposits | 1 | 1,175 |
| Bonds | 1,354 | 1,444 |
| Shares | 2,171 | 7,799 |
| Time deposits | 27 | 5 |
| Loans | 2 | 4 |
| Leasing claims | 578 | 347 |

The following table shows relations of close family members of key management to RBI:

| € 000 | 2013 | 2012 |
|---|---|---|
| Shares | 5 | 71 |
| Bonds | 81 | 0 |
| Time deposits | 46 | 39 |
| Leasing claims | 33 | 0 |

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 | 2013 | 2012 |
|---|---|---|
| Fixed remunerations | 5,478 | 5,752 |
| Bonus (performance-related) | 2,947 | 2,153 |
| Share-based remuneration (performance-related) | 0 | 3,835 |
| Payments to pension funds and business insurances | 245 | 210 |
| Other remunerations | 768 | 1,838 |
| **Total** | **9,438** | **13,788** |
| hereof remunerations of affiliated companies | 155 | 568 |

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

Performance-based remuneration components of the Management Board comprise basically bonus payments and share-based remunerations in line with the share incentive program (SIP; see share-based remuneration under note (34) equity). In 2013, there was no allotment to the share-based remuneration. Due to the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank in 2010, no tranche of the SIP program was issued.

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. According to the contractual provisions applicable to these persons until the end of 2010 bonus payments were granted, of which € 634 thousand were paid in 2013 (2012: € 297 thousand).

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. It also comprises one-time retention bonuses for those members of the Management Board of RBI which were granted in connection with the merger of Raiffeisen International und the principal business areas of Raiffeisen Zentralbank.

Compared to 2012, 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 in the previous year and the retirement of one member of the Management Board in the year under review.

## Remuneration of members of the Supervisory Board

| € 000 | 2013 | 2012 |
|---|---|---|
| Remunerations supervisory board | 550 | 550 |

The Annual General Meeting held on 26 June 2013 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 26 June 2013 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 (2012: € 550 thousand) was paid to the members of the Supervisory Board.

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 2013.

# (55) Boards

## Management Board

The Management Board of RBI AG is as follows:

| Members of the Management Board | First assignment | End of period |
|---|---|---|
| Karl Sevelda, Chairman[1] | 22 September 2010[2] | 30 June 2017[3] |
| Johann Strobl, Deputy Chairman[4] | 22 September 2010[5] | 30 June 2017[6] |
| Aris Bogdaneris | 1 October 2004 | 31 December 2015 |
| Klemens Breuer | 16 April 2012 | 31 December 2015 |
| Martin Grüll | 3 January 2005 | 30 June 2017[7] |
| Peter Lennkh | 1 October 2004 | 31 December 2015 |
| Herbert Stepic | 14 June 2001 | 7 June 2013 |

1 Karl Sevelda was Deputy Chairman until 7 June 2013 and has been Chairman of the Management Board since 7 June 2013.
2 Effective as of 10 October 2010.
3 As of 7 June 2013, the Supervisory Board renewed the contract with Karl Sevelda until 30 June 2017.
4 Johann Strobl was a member of the Managemet Board until 7 June 2013 and has been Deputy Chairman since 7 June 2013.
5 Effective as of 10 October 2010.
6 As of 7 June 2013, the Supervisory Board renewed the contract with Johann Strobl until 30 June 2017.
7 As of 7 June 2013, the Supervisory Board renewed the contract with Martin Grüll until 30 June 2017.

## Supervisory Board

| 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[1] | AGM 2015 |
| Heinrich Schaller, 2nd Deputy Chairman | 20 June 2012 | AGM 2017 |
| Markus Mair, 3rd Deputy Chairman | 8 July 2010[1] | AGM 2015 |
| Klaus Buchleitner | 26 June 2013 | AGM 2015 |
| Stewart D. Gager | 24 January 2005 | AGM 2014 |
| Kurt Geiger | 9 June 2009 | AGM 2014 |
| Günther Reibersdorfer | 20 June 2012 | AGM 2017 |
| Johannes Schuster | 8 July 2010[1] | AGM 2015 |
| Christian Teufl | 8 July 2010[1] | AGM 2015 |
| Martin Prater[2] | 10 October 2010 | Until further notice |
| Rudolf Kortenhof[2] | 10 October 2010 | Until further notice |
| Peter Anzeletti-Reikl[2] | 10 October 2010 | Until further notice |
| Suanne Unger[2] | 18 January 2012 | Until further notice |
| Helge Rechberger[2] | 10 October 2010 | Until further notice |
| Friedrich Sommer | 8 July 2010[1] | 26 June 2013 |

1 Effective as of 10 October 2010.
2 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 |
| Heinrich Schaller[1] | 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 |

1 Assignment by the Supervisory Board as of 20 September 2012.

### State Commissioners:

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

# (56) Subsequent events

## Capital increase

On 21 January 2014, RBI announced that it intended to strengthen its capital base by issuing new shares. The first stage of this capital increase was an offering of new shares to selected qualified institutional investors by way of an accelerated bookbuilding (pre-placement), in which all of 97,473,914 new shares were placed on 22 January. RZB participated in the capital increase, through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, with a commitment of € 750 million as part of the pre-placement. 21.3 per cent of the shares from the pre-placement were subject to clawback with deferred settlement. This should be applied to the extent that shareholders exercise their subscription rights in the second stage of the capital increase, a rights offering during the period from 24 January to 7 February 2014.

Whereas RZB, through its subsidiary Raiffeisen International Beteiligungs GmbH, waived all of its subscription rights, the remaining shareholders exercised 35.7 per cent of their subscription rights. Consequently, 90,074,789 new shares were allocated to the qualified institutional investors from the pre-placement. This corresponds to 92.4 per cent of the total 97,473,914 shares issued by way of the capital increase, with existing shareholders receiving the remaining 7,399,125 new shares.

At a subscription and offer price of € 28.50 per new share, gross proceeds from the deal amounted to roughly € 2.78 billion. As a result of the capital increase, RBI's free float increased significantly to roughly 39.3 per cent as of the reporting date on 11 February 2014. RZB remains the indirect majority shareholder with some 60.7 per cent of the shares. RBI intends to use the proceeds from the capital increase to redeem participation capital in the amount of € 2.5 billion.

A key reason for the capital increase was to strengthen RBI's equity base to comply with the new Basel III rules (CRR), under which participation capital counts towards common equity tier 1 (CET1) during the transition period only. The capital increase has improved the fully phased-in CET1 ratio by 3.2 percentage points, to 10.1 per cent.

## Political and economic turbulence in Ukraine

During the first few weeks of 2014, the political and economic situation in Ukraine deteriorated considerably. In combination with the tensions in the region, this turbulence led to an increase in Ukraine's budgetary deficit, a reduction in the Ukrainian national bank's currency reserves and a rating downgrade for Ukrainian government bonds. Up to the time of completion of RBI's annual financial statements on March 11, 2014, the Ukrainian hryvnia devalued 11 per cent against the US dollar. The national bank subsequently implemented tighter currency controls and changed its exchange rate policy. The impacts on Raiffeisen Bank Aval's financial and asset position could not yet be assessed at the editorial deadline of this report. However, devaluation of the hryvnia resulted in negative exchange differences in RBI's equity.

The tensions in the region also had an impact on Russia, where uncertainties resulted in double-figure slides on the Moscow stock exchange and devaluation of the Russian rouble against the US dollar of around 10 per cent. This devaluation resulted in negative exchange differences in RBI's equity.

At the time of completion of RBI's annual financial statements on March 11, 2014, the performance of all currencies of relevance to RBI resulted in a reduction in common equity tier 1 (CET1) of around 25 basis points.

# (57) 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[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| 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., Chesapeak (US) | 2,000 | USD | 100.0% | OT |
| Centrotrade Singapore Pte. Ltd., Singapore (SG) | 500,000 | SGD | 100.0% | OT |
| ELIOT, a.s., Bratislava (SK) | 21,420,423 | EUR | 78.8% | BR |
| 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 | 100.0% | 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, BAev (UA) | 3,002,774,908 | 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) | 2,207,461,050 | 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) | 50,000,040,000 | 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 | 100.0% | FI |
| Raiffeisen Energiaszolgáltató Kft., Budapest (HU) | 500,000 | HUF | 87.5% | OT |
| Raiffeisen Factoring Ltd., Zagreb (HR) | 15,000,000 | HRK | 100.0% | 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 Advisory GmbH, Vienna (AT) | 730,000 | EUR | 100.0% | FI |
| Raiffeisen Leasing Aval LLC, BAev (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. Sarajevo, Sarajevo (BA) | 19,146,455 | BAM | 87.2% | 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 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) | 51,100,000 | 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) | 10,192,400,000 | CZK | 75.0% | BA |
| Raiffeisenbank Austria d.d., Zagreb (HR) | 3,621,432,000 | HRK | 100.0% | BA |

1 Less own shares.
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms.

| Company, domicile (country) | Subscribed capital[1] in local currency | | Share[1] | Type[2] |
|---|---|---|---|---|
| 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) | 270,000,000 | 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 |
| 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% | OT |
| Ukrainian Processing Center PJSC, BAev (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 |

1 Less own shares.
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms.

# (58) 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, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO) | 131,074,560 | RON | 33.3% | BA |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms.

## Other non-consolidated subsidiaries and equity participations

| Company, domicile (country) | Subscribed capital in local currency | | Share | Type[1] |
|---|---|---|---|---|
| OOO Raiffeisen Capital Asset Management Company, Moscow (RU) | 225,000,000 | RUB | 100.0% | FI |
| Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG) | 250,000 | BGN | 100.0% | FI |
| Raiffeisen Befektetési Alapkezelõ 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) | 105,347,000 | 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) | 4,657,500 | 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) | 47,662,692 | 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 GmBR, Vienna (AT) | 55,000 | EUR | 100.0% | BR |
| RAIFFEISEN TRAINING CENTER LTD. in liquidation, 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 |

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms.

Vienna, 11 March 2014

The Management Board

Karl Sevelda

Johann Strobl

Aris Bogdaneris

Klemens Breuer

Martin Grüll

Peter Lennkh

# 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 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2013, 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 2013 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 (ISA), 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 2013 and of its financial performance and its cash flows for the year from 1 January 2013 to 31 December 2013 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 2014

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

| | |
|---|---|
| Wilhelm Kovsca | Rainer Hassler |
| Wirtschaftsprüfer | 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 principlal risks and uncertainties the Group faces.

Vienna, 11 March 2014

The Management Board

**Karl Sevelda**

Chief Executive Officer responsible for Group Communications, Group Strategy, Human Resources, Internal Audit, International Banking Units, Legal & Compliance, Management Secretariat, Marketing & Event Management, Organization & Internal Control System and Participations

**Johann Strobl**

Deputy to the Chief Executive Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Workout

**Aris Bogdaneris**

Member of the Management Board responsible for Consumer Banking, Group & Austrian IT, Group Project Management Office, International IT, Lean, Operations, Procurement & Cost Management and Small Business & Premium Banking

**Klemens Breuer**

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

**Martin Grüll**

Member of the Management Board responsible for Investor Relations, Planning & Finance, Tax Management and Treasury

**Peter Lennkh**

Member of the Management Board responsible for Corporate Customers, Corporate Sales Management & Development, Group Products and Network Corporate Customers & Support

# Service

# 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 regulations, 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 sectors.

**BWG** – (Bankwesengesetz) 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. Average equity is based on month-end figures excluding non-controlling interest and does not include current year profit.

**Core capital** – Named tier 1 capital, this represents regulatory core capital as defined in Section 23 BWG.

**Cost/income ratio** – General administrative expenses in relation to operating income (less bank levies and impairments of goodwill).

**Country risk** – This comprises transfer and convertibility risk as well as political risk.

**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** – 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 fulfill 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 average number of ordinary shares outstanding for the reporting period.

**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)** – Comprises staff expenses, other administrative expenses, and depreciation/amortization 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.

**Individual loan loss provisions** – For credit risks related to loans and advances to customers and banks, provisions are made in the amount of expected loss according to uniform 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.

**Interest bearing assets** – Total assets less trading assets, derivatives, intangible fixed assets, tangible fixed assets, and other assets.

**IPO** – Initial public offering.

**IRB (Internal Ratings-Based)** – 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.

**Leverage ratio** – Relation of total unweighted exposure (exposures on the statement of financial position, derivative exposures, securities financing transaction exposures and other exposures off the statement of financial position) to tier 1 capital.

**Liquidity risk** – Risk that a bank could be unable to meet its current and future financial obligations in full or in 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 (LLSFR)** – The sum of total loans and advances to customers less impairment losses on loans, divided by the sum of deposits from nonbanks, funding from supranational institutions, capital from third parties and the total outstanding bonds (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** – Loans and advances to customers in relation to deposits from customers, less claims and obligations from (reverse) repurchase agreements and securities lending.

**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 interest bearing assets)** – Net interest income in relation to average interest bearing assets.

**Non-performing loans (NPL)** – 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 of net interest income, net fee and commission income, net trading income and other net operating income (less bank levies and impairments of goodwill).

**Operating result** – 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** – Consists of core capital (tier 1), additional and subordinated capital (tier 2), short-term subordinated capital and redesignated 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** – 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 2013 in comparison to the second quarter of 2013.

**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.

**Risk-weighted assets (total risk)** – Risk-weighted assets (credit risk) plus market risk and operational risk.

**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 test** – 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)** – The ratio's numerator is core capital (tier 1) and its denominator is the risk-weighted assets of credit risk.

**Tier 1 ratio (total)** – The ratio's numerator is core capital and its denominator is the total risk-weighted assets.

**Trading book** – Bank regulators' term for assets held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

**UGB** – (Unternehmensgesetzbuch) 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 2013 in comparison to the first half year of 2012, or 30 June 2013 in comparison to 30 June 2012.

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