ANNUAL REPORT 2013

EXTRACT:
RAIFFEISEN ZENTRALBANK GROUP MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS
AUDITOR'S REPORT

Overview

RZB Group Monetary values in € million	2013	Change	2012	2011	2010	2009
Income statement						
Net interest income	3,931	11.3%	3,531	3,585	3,629	3,462
Net provisioning for impairment losses	(1,200)	16.4%	(1,031)	(1,099)	(1,198)	(2,247)
Net fee and commission income	1,630	7.2%	1,521	1,493	1,492	1,422
Net trading income	323	64.9%	196	346	323	418
General administrative expenses[1]	(3,460)	3.6%	(3,340)	(3,208)	(3,069)	(2,795)
Profit before tax[1]	1,049	14.3%	918	1,144	1,292	824
Profit after tax[1]	756	17.9%	641	728	1,168	571
Consolidated profit[1]	422	14.0%	370	472	714	433
Earnings per share[1]	62.29	3.50	58.79	78.18	121.73	36.46
Statement of financial position						
Loans and advances to banks	22,650	5.7%	21,430	22,457	19,753	33,887
Loans and advances to customers	90,594	5.8%	85,600	84,093	78,270	74,855
Deposits from banks	33,733	(12.2)%	38,410	39,873	37,391	49,917
Deposits from customers	75,660	13.9%	66,439	67,114	57,936	55,423
Equity	11,788	(3.2)%	12,172	11,489	11,251	10,308
Total assets	147,324	0.9%	145,955	150,087	136,497	147,938
Key ratios						
Return on equity before tax	8.9%	1.0 PP	7.9%	10.5%	12.5%	8.8%
Return on equity after tax	6.4%	0.9 PP	5.5%	6.7%	11.3%	6.1%
Consolidated return on equity	5.9%	0.5 PP	5.4%	7.8%	13.0%	6.3%
Cost/income ratio	57.4%	(4.7) PP	62.2%	59.2%	55.8%	51.9%
Return on assets before tax	0.74%	0.1 PP	0.60%	0.78%	0.88%	0.54%
Net interest margin (average interest-bearing assets)	3.05%	0.44 PP	2.61%	2.76%	2.76%	2.49%
Provisioning ratio (average loans and advances to customers)	1.40%	0.20 PP	1.20%	1.35%	1.54%	2.81%
Bank-specific information						
Risk-weighted assets (credit risk)	73,692	2.1%	72,198	81,416	79,996	74,990
Total own funds	12,645	(0.2)%	12,667	12,725	12,532	12,308
Total own funds requirement	7,127	2.3%	6,965	7,982	7,966	7,516
Excess cover ratio	77.4%	(4.4) PP	81.9%	59.4%	57.3%	63.8%
Core tier 1 ratio, total	9.9%	(1.0) PP	10.9%	9.1%	8.5%	8.5%
Tier 1 ratio, credit risk	12.6%	(1.2) PP	13.8%	12.2%	11.6%	11.8%
Tier 1 ratio, total	10.4%	(1.0) PP	11.4%	9.9%	9.3%	9.4%
Own funds ratio	14.2%	(0.4) PP	14.5%	12.8%	12.6%	13.1%
Resources						
Employees as of reporting date	59,372	(2.2)%	60,694	59,836	60,356	59,800
Business outlets	3,037	(2.5)%	3,115	2,937	2,970	3,038

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

Content

Management report
Market development

Upturn in Europe, weak economic growth in the US

During 2013 the Eurozone gradually climbed out of the recession that began in late 2011. Economic growth declined 0.4 per cent year-on-year in 2013 versus a 0.6 per cent decline in the previous year. At the same time, positive quarterly growth rates were posted as of the second quarter, followed by an upward trend in the so-called leading economic indicators. Real data towards the end of the year also ultimately confirmed the beginning of an economic upturn that was gaining increasing traction and spreading also to Southern European countries. This was supported, on the one hand, by the extremely expansionary monetary policy of the European Central Bank (ECB) and, on the other, by significant progress in reducing foreign economic imbalances in Southern European countries. While the economic upturn has been predominantly driven by increasing foreign trade, in a number of core countries – first and foremost Germany – domestic demand also plays a key role. The greatest risk factor remains politics and neglected reforms, followed by deficiencies 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 compared to 2012, with real gross domestic product up only 1.9 per cent in 2013 – following 2.8 per cent in the previous year. This was primarily due not only to appreciable tax increases early in the year, which weighed on private consumer spending, but also to further cutbacks in government spending. These factors, as well as the protracted debate over the budget and debt ceiling that culminated in a two-week government shutdown in October, contributed to considerable level of uncertainty among consumers and companies. As a result, the pace of corporate investment growth slowed dramatically. However, the labor market has continued to recover in spite of sluggish economic momentum. 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.

Different trends in CEE

The economic slowdown observed in Central and Eastern Europe (CEE) since 2012 continued in 2013. Whereas the region's economy grew 2.2 per cent in 2012, its contribution to growth is expected to be only 1.2 per cent in 2013. Export growth remained moderate while domestic demand was also weak, with economic growth in CEE 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 had a negative impact on economic growth in several markets.

In the Central European region (CE), the economic performance of Poland and Slovakia (as in the previous year) stood out although economic growth has slowed in these countries. While Poland reached 1.9 per cent growth in 2012, its economy is seen levelling off at 1.6 per cent in 2013. During the same period, Slovakia posted a 1.8 per cent decline 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 latter half of 2013, its economy again failed to reach positive growth territory at minus 0.9 per cent for the full year. In Slovenia, economic output contracted for the second consecutive year, down 2.0 per cent in 2013 – after minus 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 1.7 per cent. Croatia was the only country to remain in the grip of 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 is expected to have grown 3.5 per cent in the reporting period. The upswing is attributable, inter alia, to successful consolidation efforts, as well as the improved competitive position of Romania's economy. Bosnia and Herzegovina, as well as Serbia, posted growth rates of 2 per cent while the Bulgarian economy grew less rapidly, accelerating slightly less than 1 per cent.

Economic momentum in the Commonwealth of Independent States (CIS) weakened significantly over the course of 2013. The growth rate in Russia decreased from 3.4 per cent in 2012 to roughly 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. In the reporting year the Ukrainian economy stagnated for the second time in a row due to a lack of positive impetus both from exports and from domestic demand.

Economic growth in CEE is projected at 1.2 per cent for 2014, with momentum likely to be driven more by CE and partially also by SEE than by the CIS. The development in the Eurozone will continue to play a highly relevant role for the entire region in 2014.

The significant economic recovery expected in Central Europe (CE) will be based on development in Poland, Hungary, the Czech Republic and Slovakia, putting the economy on a firm footing. Poland in particular is projected to reach a higher growth rate of

3.1 per cent, with economists forecasting a return to the growth path for the Czech economy. In Slovenia, however, there is a perceived risk of recession also continuing in 2014. Southern Europe (SEE) should register growth of 1.7 per cent in 2014. Romania's economy is seen growing 2.3 per cent, in the vicinity of 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 continue to be subdued. Moreover, the outlook for both the Ukrainian and the Russian economy is burdened with considerable downside risks due to recent developments in Ukraine.

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 rebound in Austria

After accelerating briefly at the start of the year, the Austrian economy slowed over the course of 2012, with GDP growth (p.q.) having already reached its peak in the latter half of 2010. It was not until the latter half of 2013 that economic momentum began to pick up slightly.

Real exports achieved only below-average growth rates for the most part in 2012 and 2013 p.q. As imports declined in real terms over several quarters in a row due to weak domestic demand, however, the major economic impetus came from foreign trade, particularly in 2012. Consumption and investment were weak in 2012, with domestic demand weighing on GDP growth as a result. In contrast, consumption and investment became more dynamic over the course of 2013 whereas the foreign trade contribution to GDP quarterly growth declined overall. All in all, economic momentum (real GDP in per cent p.a.) weakened in 2012 and 2013, to 0.9 per cent and 0.4 per cent respectively.

The labor market was comparatively robust in spite of the economic slowdown. Although 2013 saw a tangible increase in the number of persons registered as unemployed, the unemployment rate (seasonally adjusted in per cent) rose only marginally in comparative terms owing to the simultaneous increase in the workforce potential. Employment growth also continued in 2012, only to enter a stagnation phase in early 2013. Inflation weakened in 2012 and 2013. Consumer prices rose 3.6 per cent in 2011, yet inflation fell over the following two years, to 2.6 per cent in 2012 and 2.1 per cent in 2013.

Renewed subdued growth in Asia

China posted robust growth of roughly 7.7 per cent throughout 2013, with public infrastructure investment contributed significantly. Foreign trade also registered higher growth rates versus 2012; in contrast, the pace of private investment slowed significantly. Private consumption again supported economic growth. Since November, considerable attention has centered on plans to further open up China to the outside world and liberalize many economic sectors.

In India, economic growth for 2013 (the Indian fiscal year runs from April to March) is seen at 4.5 per cent, driven primarily by high government spending and a recovery in exports, with only minor impetus coming from private consumption and investment. In 2013, Singapore recorded significantly stronger economic growth for the first time again, with an increase of 3.7 per cent. This was mainly attributable to improved global economic conditions, notably within Southeast Asia, as reflected in sharply higher exports.

In Japan, the new economic policy showed swift positive results. Massive fiscal stimulus packages, coupled with a weak yen caused by expansionary monetary policy, as well as continued low nominal interest rates and rising equity markets, led to greater confidence in the Japanese economy. The Japanese economy grew 1.6 per cent in 2013.

Global currencies

As in 2012, the euro to US dollar exchange rate in 2013 continued to move within a narrow range of only € 0.10, between EUR/USD 1.28 and EUR/USD 1.38. The exchange rate stood at EUR/USD 1.36 towards the end of the year, a mere € 0.04 above the end-2012 level. Exchange rates were again principally driven by ECB and US Fed monetary policies. Sustained speculation of a possible reduction in bond purchases by the Fed (tapering) flared up as of mid-year, sporadically 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 higher risk appetite 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 by problems in Cyprus and Italy. The resulting increase in risk aversion caused the Swiss franc to appreciate to EUR/CHF 1.25. Since mid-2013, the Swiss franc has hovered within a narrow range between EUR/CHF 1.22 and EUR/CHF 1.24. Currency movements have been largely driven by interest rate differentials between the Eurozone and Switzerland.

CEE currencies

Whereas CE and SEE currencies remained comparatively stable, GUS 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 and lead to potential 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 reduction in existing imbalances, including a sharp reduction in current account deficits.

Ongoing key rate cuts had a relatively weak impact on currencies. For example, Hungary lowered its key rate significantly without causing any marked weakening of the forint. One reason for this was 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 relative to the euro after the key rate was lowered to virtually zero (0.05 per cent).

CEE currencies are expected to show a robust trend in 2014 in spite of possible soft patches as a result of a reduction in liquidity. With CIS currencies having lost in value since early 2014, we still see further downside risks, notably to the Russian ruble, Ukrainian hryvnia and Belarusian ruble. Spillover effects to other currencies in the region cannot be ruled out in this context, dampening the outlook somewhat as a result.

Banking sector performance

Continued banking sector growth in CEE

Supported by improved economic indicators and heightened economic expectations, the CEE banking sector enjoyed somewhat stronger momentum overall in the past year. This trend initially manifested itself in an increase in domestic loans, tending to stabilize in the second half of 2013. A sustained level of stable lending growth has been observed in the CEE region since the third quarter of 2013, and regional credit growth momentum, which has continued to be supported by solid growth in the Russian banking sector, has increasingly benefitted from the upward trend in the Central European banking sector. Moreover, with the exception of Southern 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 Central Europe, which contrasts with a significant decline in Southeastern Europe, where we have yet to see signs of a sustainable return to higher credit growth rates. This was mainly due to the three largest Southeastern Europe markets – Croatia, Romania and Serbia – whose banking sectors have either stagnated or else lost significant growth momentum. As in the past, a 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), where assets have grown more sharply than credit volumes. However, this has been largely attributable to market-specific factors such as strong growth in demand for corporate bonds in Poland or the increase in (short-term) holdings of government papers 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 credit and deposit growth has narrowed slightly, notably in the Central European countries. Due to the solid loan-to-deposit ratio in nearly all CEE markets, this is viewed as positive since deposits are gradually being transformed into interest-bearing loans. Only in the SEE region have deposits again significantly outpaced loans, with no improvement in the unfavorable ratio as a result.

In terms of asset quality, the CEE banking sector witnessed a further divergence in 2013. On the one hand, the level of NPLs in Russia and in Central Europe stabilized appreciably, albeit the situation in Hungary negatively influenced the average level. On the other, asset quality remained problematic in Southeastern Europe 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 divergent profitability ratios of the regional banking sectors. Profitability indicators for the banking sector in Central Europe 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 Southeastern Europe, profitability was low in 2013, attributable in part to poorer 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 suggest catch-up potential in many CEE markets.

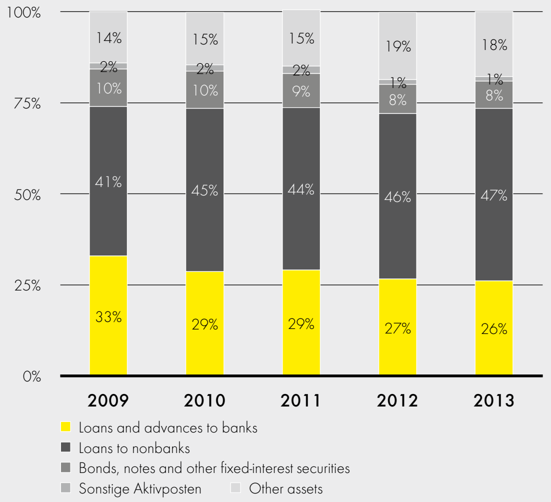
Banking sector in Austria

Decline in business volumes

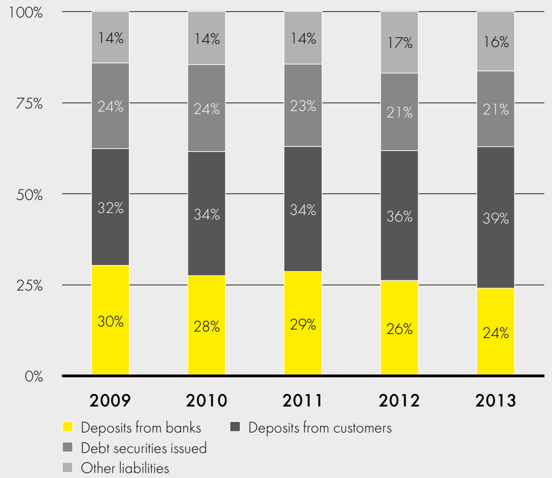
Aggregate business volumes of the Austrian banks slipped 4.6 per cent to € 909 billion in 2013. The decline in the Volksbanken sector of 11.4 per cent was by far the steepest, while the Raiffeisen sector was able to extend its market leadership slightly in terms of business volume. Its market share increased 0.6 percentage points to 31.3 per cent. The joint stock banks are the second largest sector (27.1 per cent) followed by the savings banks (17.6 per cent).

Loans and advances to non-banks still made up the bulk of reported assets in the Austrian banking sector, at 47.4 per cent (2012: 45.5 per cent). Deposits from non-banks increased both on a volume (2.2 per cent) and percentage (2.6 per cent) basis. At 38.8 per cent (35.7 per cent), they accounted for the largest share of total liabilities. On the asset side, loans and advances to banks represented the second largest item on the balance sheet at about 26.1 per cent (2012: 26.6 per cent); on the liability side, deposits from banks accounted for 24.1 per cent (2012: 26.2 per cent).

Development of the Austrian banking sector assets (unconsolidated)



Development of the Austrian banking sector liabilities (unconsolidated)



Earnings of the Austrian banking sector

The Austrian banks are expected to post an unconsolidated operating result of € 6.0 billion for 2013 (2012: € 6.8 billion), representing a decline of 8.5 per cent on the prior year. This reflects an increase in operating expenses of 4.6 per cent and unchanged operating income.

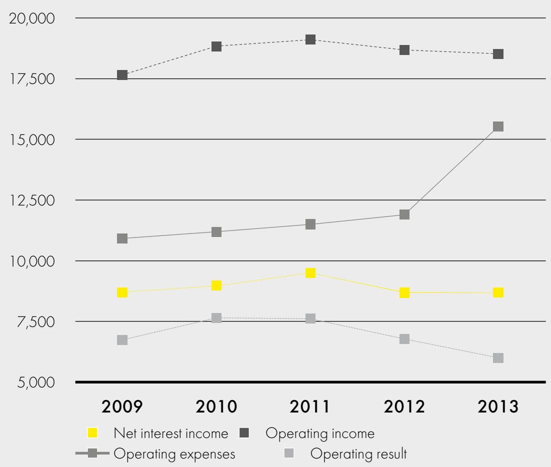
The positive trend in net interest income in recent years reversed in 2012 (down 8.4 per cent) and net interest income was flat in 2013 (down 0.2 per cent). However, it still accounted for 46.9 per cent of operating income (2012: 46.5 per cent) and remained a significant factor.

Net profit has not yet been finalized, but the Austrian banks are predicting a figure of about EUR 0.6 billion for 2013, similar to net profit in 2011 (2012: € 3.2 billion). With the exception of Volksbanken AG and the mortgage banks, the individual sectors performed well. With a slight increase in net profit, Raiffeisen Banking Group continues to account for the largest share of the entire banking system's unconsolidated net profit. The savings bank sector reported a slightly lower result, while the joint stock banks are expected to post a slightly improved net profit.

The Austrian banks anticipate a significant rise in loan loss provisions (impairment charges) to € 5.1 billion. In 2012, they amounted to € 3.3 billion compared to just under € 7 billion in 2011.

Austrian banking sector earnings (unconsolidated)

in € million



Regulatory environment

On a positive note, stability continued to improve in Europe in 2013. Nevertheless, the year was still marked by particular challenges for the financial sector. However, the progress towards implementation of banking union, which the Austrian banking sector also supported and which involves the creation of the conditions for the ECB's Single Supervisory Mechanism, the steps in the final decisions to create a European resolution framework and an agreement on further harmonization of the Deposit Guarantee Directive, will also result in huge costs and additional work for the Austrian banks and have a very negative effect on them.

Implementation of Basel III

In March 2013, the protracted negotiations on the so-called Basel III package, which mainly provides for higher capital and liquidity requirements for credit institutions, were concluded at European level. The new rules came into force on January 1, 2014.

As the Basel III rules focus above all on banks with international operations, less account was taken of the structures and business models of markets such as Austria with a high proportion of small and mid-sized enterprises (SMEs) and banks that concentrate on financing the real economy.

Banking union

After the heads of government in the European Union agreed in mid-2012 to set up a banking union, consisting of three pillars – banking supervision, a resolution regime and a harmonized deposit guarantee scheme – 2013 was dominated by work on the details of the new single banking supervisory authority at the European Central Bank (ECB) and the creation of the basis for a single resolution regime.

In July 2013, the European Commission tabled its proposals for a Single Resolution Mechanism (SRM) for the Eurozone. The procedure is designed to supplement the Single Supervisory Mechanism. The objective of the Single Resolution Mechanism– the second pillar of the banking union – is to ensure that banks that fail can be wound down at less cost and that a single resolution fund is available for such cases.

The proposed bank recovery and resolution directive provides for increased regulatory powers in a crisis, the establishment of national funds to wind down systemically relevant banks, and an encroachment on creditor rights. Particularly sensitive issues are the financing and structure of the funds and their target size.

As the proposed steps represent a massive encroachment on fundamental rights such as rights of ownership, constitutional procedural principles must be complied with. The directive is due to take effect on January 1, 2015.

Deposit Guarantee Systems (DGS)

In response to the financial market crisis, the European Commission presented a draft directive for a new harmonized and ex ante funded deposit guarantee system with a fixed target and risk-based contributions in 2010. However, the proposals allow the respective member states to decide how the system is to be organized (sectoral or uniform).

Performance and financials

Introduction and scope of consolidation

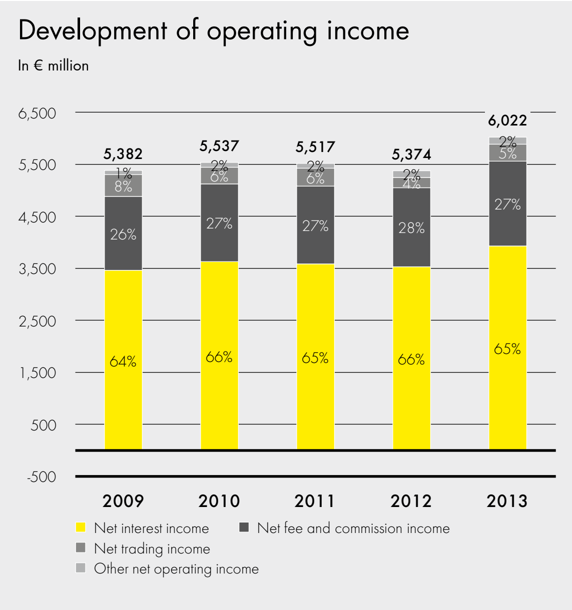
The consolidated financial statements of Raiffeisen Zentralbank are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. Raiffeisen Zentralbank also prepares separate financial statements in accordance with the Austrian Banking Act (BWG) in conjunction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

The majority of Raiffeisen Zentralbank is indirectly held by Raiffeisen-Landesbanken Holding GmbH (RLBHOLD), which makes it part of RLBHOLD Group. In RLBHOLD, the core shareholders – i.e. the Raiffeisen regional banks – hold the majority of their shares on a pooled basis. RLBHOLD held a stake of around 82.4 per cent at the end of 2012; the remaining shares were owned predominantly by other shareholders. As of December 31, 2013, Raiffeisen Zentralbank's scope of consolidation comprised 360 Group units, including 31 banks and a number of financial institutions and bank-related service providers.

As described in the previous chapter, Raiffeisen Zentralbank acquired a majority interest in a number of affiliated companies at the end of 2013. Since initial consolidation took place at the reporting date, it had no ramifications for the income statement with the exception of a one-off effect arising from initial consolidation. The acquisition increased total assets by € 11.1 billion. At the end of April 2012, RZB acquired 100 per cent of Polbank EFG S.A., Warsaw. At the time of initial consolidation, this acquisition increased total assets by € 6.2 billion. The comparability of various items in the balance sheet and income statement has been influenced by the factors described. For information about other changes in the scope of consolidation, please refer to the relevant sections in the notes.

Performance

In 2013 RZB realized profit before tax of € 1,049 million, which was € 131 million higher than in the previous year. The increase was primarily due to a substantial improvement in the operating result by € 529 million to € 2,563 million together with a significant improvement by € 124 million from associates accounted for using the equity method. This gratifying operating result contrasted with higher net provisioning for impairment losses, up € 169 million, increased special bank levies and a negative result from derivatives and liabilities. In 2012, one-off effects of € 276 million were attributable to the sale of bonds and the repurchase of hybrid tier-1 capital.



Profit after tax in the reporting period was 18 per cent, or € 115 million, above the value for the previous year. The tax rate decreased by 2 percentage points to 28 per cent. As a result of the increase in profit after tax, return on equity after tax rose 0.9 percentage points to 6.4 per cent. After deducting profit attributable to non-controlling interests, which despite lower inority interests increased by € 63 million to € 333 million as a result of higher loss, consolidated profit rose by 14 per cent to € 422 million.

The Management Board will propose to the Annual General Meeting that a dividend of € 36 per share, as in the previous year, and thus a total distribution of € 244 million be paid for the 2013 financial year.

Operating income increased 12 per cent, or € 649 million, to € 6,022 million year-on-year. Net interest income recorded a favorable development, rising 11 per cent, or € 400 million, to € 3,931 million despite generally lower volumes. This can be attributed to a € 124 million higher operating result from associates accounted for using the equity method and to the substantially improved net interest margin, which (calculated on interest-bearing assets) increased 44 basis points to 3.05 per cent thanks to repricing measures and the optimization of liquidity. Net fee and commission income recorded an increase of 7 per cent to € 1,630 million owing to fee adjustments and higher volumes. Net trading income in the reporting period also increased € 127 million to € 323 million as a result of growth in currency-based transactions.

Compared to the same period last year, general administrative expenses rose 4 per cent, or € 120 million, to € 3,460 million. This increase was primarily due to the consolidation and integration of Polbank in May 2012, to salary increases in Russia, higher depreciation on leased assets and to 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 78 to 3,037 year-on-year, largely attributable to the optimization of the branch network in Poland following the merger with Polbank. The cost/income ratio improved 4.7 percentage points to 57.4 per cent thanks to higher operating income.

Compared to the same period last year, net provisioning for impairment losses rose 16 per cent, or € 169 million, to € 1,200 million. Here, individual loan loss provisions increased € 59 million, while net releases amounting to € 115 million occurred in the case of portfolio-based loan loss provisions.

Net income from derivatives and liabilities amounted to minus € 250 million compared to minus € 132 in the previous year. This can be attributed to valuation losses from other derivatives and liabilities. In the previous year, net income was affected by a profit resulting from the partial repurchase of hybrid bonds (€ 113 million). In addition, net income from financial investments declined € 90 to € 150 million year-on-year. The main reason for this was the income from the sale of bonds totaling € 245 million posted in the previous year. In contrast, one-off effects resulted in 2013 from the initial consolidation of affiliated companies due to the revaluation of interests previously accounted for using the equity method of € 59 million and from a reduction in the interest in UNIQA Insurance Group AG, which led to a profit realization of € 30 million.

Statement of financial position

Compared to the same period last year, the total assets of RZB rose 1.0 per cent, or € 1.4 billion, to € 147.3 billion. Despite recording a sharp decline owing to liquidity optimization measures, the initial consolidation of affiliated companies increased the total assets of RZB by € 11.1 billion. Furthermore, total assets decreased by approximately € 3.4 billion owing to currency effects, which largely consisted of weakening in the US dollar, Russian ruble, Czech koruna and Ukrainian hryvnia against the euro.

On the asset side, loans and advances to customers (before deduction of loan loss provisions) rose 6 per cent, or € 5.0 billion, to € 90.6 billion. Besides the aforementioned currency effects, sluggish credit demand from corporate customers also declined. Similarly, short-term receivables from sales and repurchase agreements and securities lending decreased € 1.4 billion and trading assets € 2.2 billion. On the liability side, growth was primarily due to the initial consolidation of affiliated companies, which increased customer deposits € 9.2 billion to € 75.7 billion.

The portfolio of non-performing loans to customers increased by just under one billion euros to € 9.3 billion. Currency effects caused a decline of € 0.2 billion, with the initial consolidations contributing a volume of € 0.4 billion. Organic growth, almost exclusively attributable to corporate customers, thus amounted to € 0.8 billion. The largest increases here were reported by corporate business in Austria and Asia with growth of € 0.5 billion, while Central and Eastern Europe accounted for growth of € 0.2 billion.

The NPL ratio, i.e. the ratio of non-performing loans to total customer loans, increased from 9.8 per cent in the previous year to 10.2 per cent in the reporting year. Non-performing loans were covered by provisions totaling € 5.9 billion. This resulted in an NPL coverage ratio of 63.1 per cent. It was thus 3.8 percentage points below the figure for the previous year thanks to a higher level of collateralization and the resultant lower net provisioning for impairment losses for new non-performing loans.

Equity including non-controlling interests recorded a decline of € 384 million to € 11,788 million. Total comprehensive income amounted to € 185 million. Profit after tax of € 756 million contrasted with currency devaluations amounting to € 461 million. Furthermore, equity decreased as a result of dividend distributions totaling € 529 million for the 2012 financial year. Of this amount, € 244 million was attributable to shareholders of Raiffeisen Zentralbank, € 180 million to participation capital of RBI AG and € 105 million to non-controlling interests, primarily to RBI AG and banks in Central Europe. The acquisition of non-controlling interests of 25 per cent of Raiffeisenbank Austria d.d., Zagreb reduced equity by € 185 million, while the initial consolidation of affiliated companies increased equity by € 245 million.

Regulatory own funds

Tier 1 capital in accordance with Basel II recorded a decline of € 311 million to € 9,695 million, primarily resulting from the negative currency movements of the Russian ruble, Ukrainian hryvnia, Czech koruna and Polish zloty. Capital was also affected by the purchase of minority interests and the higher market valuation of the UNIQA Insurance Group AG. The calculation includes the profit for the financial year. However, the dividends that are likely to be distributed for the 2013 financial year have already been deducted. The negative effects were partly compensated by the inclusion of the affiliated companies at the end of 2013.

Additional own funds (tier 2) rose € 115 million to € 3,409 million. The change in deductions is largely attributable to the consolidation of the affiliated companies and to the market valuation of the UNIQA Insurance Group AG. Regulatory own funds amounted to € 12,645 million at 31 December 2012.

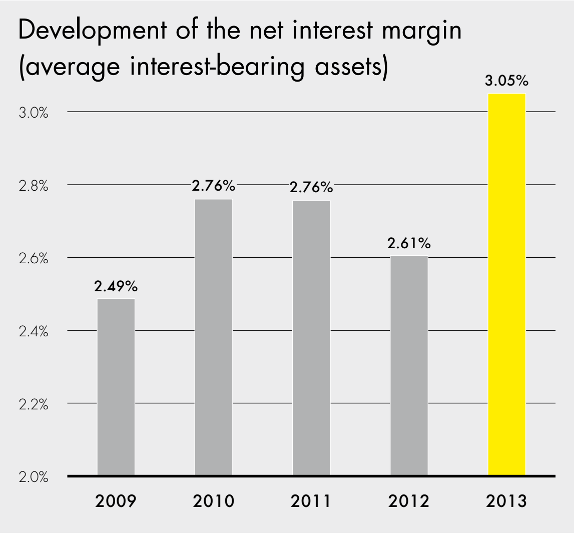
The own funds requirement rose € 161 million to € 7,127 million. This increase was primarily associated with credit risk owing to the inclusion of affiliated companies. With regard to total risk, this resulted in a core tier 1 ratio of 9.9 per cent (2012: 10.9 per cent) and a tier 1 ratio of 10.4 per cent (2012: 11.4 per cent). The own funds ratio decreased 0.3 percentage points to 14.2 per cent.

Income statement

in € million	1/1-31/12/2013	1/1-31/12/2012	Change absolute	Change in %
Net interest income	3.931	3.531	400	11,3%
Net fee and commission income	1.630	1.521	109	7,2%
Net trading income	323	196	127	64,9%
Other net operating income[1]	139	126	12	9,8%
Operating income	**6.022**	**5.374**	**649**	**12,1%**
Staff expenses[2]	-1.695	-1.650	-45	2,7%
Other administrative expenses	-1.300	-1.265	-34	2,7%
Depreciation	-465	-425	-40	9,5%
General administrative expenses[2]	**-3.460**	**-3.340**	**-120**	**3,6%**
Operating result	**2.563**	**2.034**	**529**	**26,0%**
Net provisioning for impairment losses	-1.200	-1.031	-169	16,4%
Other results[3]	-314	-85	-229	268,4%
Profit before tax	**1.049**	**918**	**131**	**14,3%**
Income taxes	-293	-277	-17	6,0%
Profit after tax	**756**	**641**	**115**	**17,9%**
Profit attributable to non-controlling interests	-333	-270	-63	23,3%
Consolidated profit	**422**	**370**	**52**	**14,0%**

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

Net interest income



Despite a decline in interest-bearing assets, net interest income increased 11 per cent or € 400 million to € 3,931 million in 2013. This was attributable to a 44 basis point increase in the net interest margin to 3.05 per cent compared to the previous year. In turn, this was due to the positive effects of repricing measures in the loan deposits sector and loans as well as optimization of the liquidity situation - the reduction or restructuring of liquidity - which primarily took place at RBI AG. Significantly higher current income from companies valued at equity, up € 124 million, was a further reason for this increase. The increase was primarily attributable to higher income generated by the UNIQA Insurance Group AG and better results achieved by the other associated companies.

The decline in interest income due to lower lending volumes was compensated in full through lower interest expenses for customer deposits. Interest income from derivatives increased 11 per cent or € 40 million to € 398 million (predominantly at RBI AG). Net interest income in Belarus and Slovakia performed positively, due especially to good credit business growth. 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.

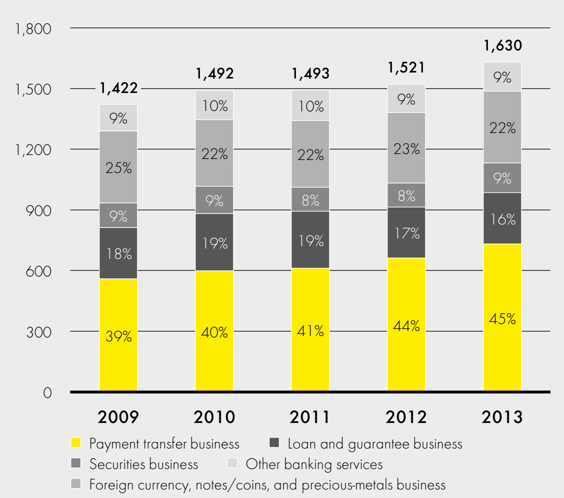
In the Czech Republic, however, net interest income declined due to lower volumes and margins resulting from strong competition surrounding business with private individuals and corporate customers. In Hungary, a decline in lending volumes and market interest rates as well as lower interest income from derivatives and securities led to a slide in net interest income. The reduction in net interest income which occurred in Romania was attributable primarily to a fall in market interest rates and a decline in interest income from securities. In Russia, lower interest income from derivatives due to reclassification of the interest portion of new business to the trading book led to a fall in net interest income.

Current income from companies valued at equity rose from € 42 million in the previous year to € 167 million in the reporting year. This growth primarily resulted from the stake in UNIQA Insurance Group AG and the Raiffeisen evolution project development GmbH and A-Leasing SpA holdings, which were in the red the previous year.

Net fee and commission income

Development of net fee and commission income

In € million



Net fee and commission income increased € 109 million year-on-year and therefore contributed 27 per cent of operating income. Net income from both the payment transfer business as well as from the securities business particularly increased in this case. Above all, the € 69 million increase arising from the payment transfer business is attributable to fee increases in Hungary due to the introduction of the financial transactions tax, a volume-driven increase in earnings from the credit card business in Russia and the integration of Polbank. Securities business profits revealed volume-based growth of 25 per cent or € 30 million, which was primarily due to positive performance in Austria and 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 - especially in Slovakia and Croatia - also ensured 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 also increased 1 per cent or € 2 million - due mainly to growth in Russia and at RBI AG - whereas net income from the sale of own and third-party products fell € 3 million, particularly due to performance in Russia, and net income from the credit derivatives business remained virtually unchanged. Net income from other banking services revealed the biggest gains in the Czech Republic, thanks to structured financing, as well as in Hungary.

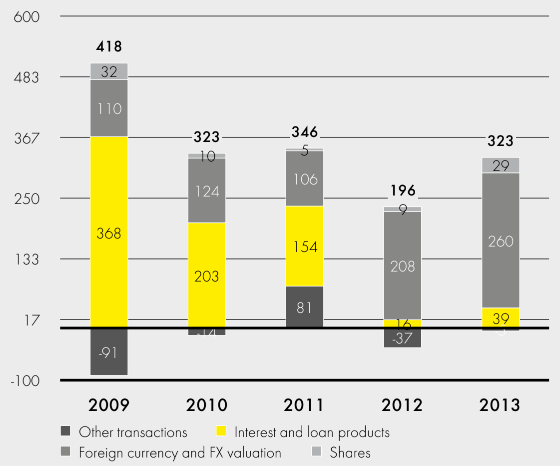
Net trading income

In 2013, trading income grew 65 per cent or € 127 million to € 323 million. Above all, currency-based transactions, other business and index-based transactions achieved significant income growth in this case, up € 52 million, € 26 million and € 23 million respectively. Income from equity- and index-based transactions also grew € 21 million. The credit derivatives business improved € 6 million but remained negative.

Whereas interest-based business grew due to valuation gains on derivatives, predominantly in Hungary, Poland and the Czech Republic, net income from interest swaps declined at RBI AG due to a decrease in volumes.

Net trading income by products

In € million



Net income from currency-based transactions grew 25 per cent or € 52 million to € 260 million. With € 90 million and € 51 million respectively, both Russia and Hungary posted positive 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, depressing net trading income by € 22 million, virtually unchanged year-on-year.

The significant increase in net income from other business, up from a loss of € 25 million to € 1 million, stemmed from capital guarantees issued by RBI AG. The previous year, this income was depressed due to the drop in the long-term interest level. Income in the equity- and index-based business also improved significantly from € 21 million to € 29 million. This was down to portfolio restructuring from fixed-income securities to variable-interest securities due to changed market conditions.

Other net operating income

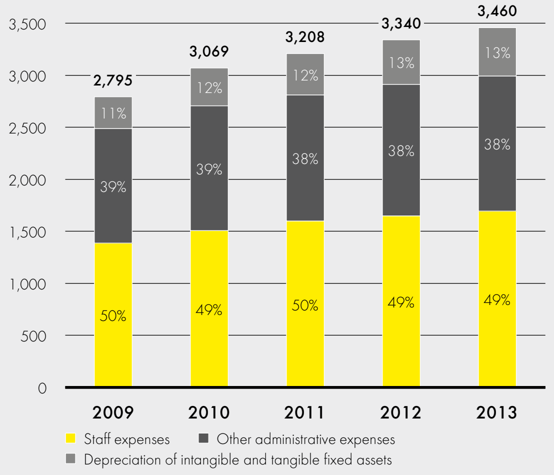
Other net operating income increased € 12 million to € 139 million year-on-year. The release of an € 11 million provision for income tax liabilities in Poland, a rise in earnings from operating leasing, income from the release of negative goodwill due to initial consolidation of the Italian leasing subsidiary and income from netting improved the net income. In contrast, the new financial transactions tax introduced in Hungary depressed net income by € 36 million. Net income from the allocation and release of other provisions also 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.

General administrative expenses

General administrative expenses grew 4 per cent or € 120 million to € 3,460 million. This was 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 4.7 percentage points to 57.4 per cent thanks to increased operating income.

General administrative expenses by category

In € million



Staff expenses

Staff expenses, at 49 per cent, provided the largest component in general administrative expenses with an increase of 3 per cent or € 45 million to € 1,695 million. This increase mainly resulted from the consolidation of Polbank and from salary increases in Russia. It was partially offset by declining staff expenses due to lower costs and headcount reductions - with the largest reductions occurring in the Czech Republic and Ukraine.

The average number of staff (full-time equivalents) fell by 1,853 year-on-year to 59,686. 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 increased 3 per cent, or € 34 million, to € 1,300 million. While reductions occurred in some countries, the consolidation of Polbank, increased IT expenses, especially in Poland and Russia, the intensification of advertising campaigns in Russia and administrative expense increases in Romania led to a rise in this item.

The number of business outlets decreased by 78 to 3,037 compared to year-end 2012. The largest declines were posted in Poland (down 46), Ukraine (down 27) and Bulgaria (down 15).

Depreciation expense

Depreciation of tangible and intangible assets rose € 40 million to € 465 million year-on-year (2012: € 425 million). Depreciation of intangible assets rose most sharply in the Czech Republic, up € 40 million to € 221 million, due to the impairment of a core banking system.

Net provisioning for impairment losses

Compared to the same period last year, net provisioning for impairment losses rose 16 per cent, or € 169 million, to € 1,200 million. Individual loan loss provisions increased € 59 million to € 1,263 million, while portfolio-based loan loss provisions again revealed net releases. At € 49 million in 2013, however, these were € 115 million lower than the previous year's value of € 164 million. Net provisioning for impairment losses also includes income from the sale of impaired loans amounting to € 14 million (2012: € 9 million).

Impairment needs which were € 140 million higher year-on-year arose in the RBI Group. Firstly, loan loss provisions were formed for various loans to key accounts in Austria; secondly, net provisions for impairment losses totaling € 48 million were formed for both key accounts and retail customers in Russia, whereas net releases of € 16 million were posted the previous year. In Slovenia, net provisions for impairment losses increased € 31 million year-on-year, particularly due to non-performing loans and the revaluation of securities. 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 improved € 41 million Poland.

In the Austrian Raiffeisen Banking Group segment, net provisioning for impairment losses additionally rose € 57 million compared to the previous year. This was primarily due to higher individual and portfolio-based loan loss provisions in the Raiffeisen Leasing Group.

The provisioning ratio – i.e. net provisioning for impairment losses versus average loans and advances to customers – increased 0.20 percentage points to 1.40 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities fell to minus € 250 million as against minus € 132 million the previous year. This was attributable to € 113 million in profits from the partial repurchase of hybrid bonds the previous year. These significantly higher valuation losses from other derivatives were countered by improved earnings from liabilities designated at fair value. Here, increased interest rates led to a positive valuation result for own issues; at minus € 126 million, the negative impact of the credit spread valuation was also less than the previous year (minus € 145 million). This was attributable to continuing settlement of the financial markets, leading to a reduction in RBI AG's credit default swap premiums.

Net income from financial investments

Net income from financial investments fell € 90 million to € 150 million year-on-year. This was particularly due to net income of € 163 million generated from the previous year's sale of high-quality bonds from the available-for-sale securities portfolio. Income from securities designated at fair value also fell € 128 million to € 26 million. The valuation of securities from the fair value portfolio generated gains of € 7 million, whereas gains of € 72 million were incurred the previous year. Significant valuation losses on bonds arose at RBI AG, 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, earned primarily at RBI AG. € 12 million of the sales income in the reporting year were generated in Romania through the sale of government bonds.

Income from companies valued at equity rose from a loss of € 69 million in the previous year to a gain of € 87 million in the reporting year. One-off effects arising from the initial consolidation of affiliated companies arose in 2013 due to the revaluation of stocks previously valued at equity in the amount of € 59 million as well as a reduction of the stake in UNIQA Insurance Group AG (generation of € 30 million in income).

Net income from equity participations was € 34 million, an improvement of € 42 million year-on-year. Gains of € 29 million arose, primarily from the sale of VISA and MasterCard shares in Russia and Ukraine.

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 RBI AG.

Net income from disposal of Group assets

In the reporting year, the disposal of 15 subsidiaries resulted in a loss of € 4 million, while positive net income of € 12 million was generated due to the exclusion of 13 subsidiaries from the consolidation group the previous year. Five companies were excluded on the grounds of immateriality, six companies were sold, three companies were excluded due to closure and one due to liquidation. The companies were primarily active in leasing, investment and securities services.

Income taxes

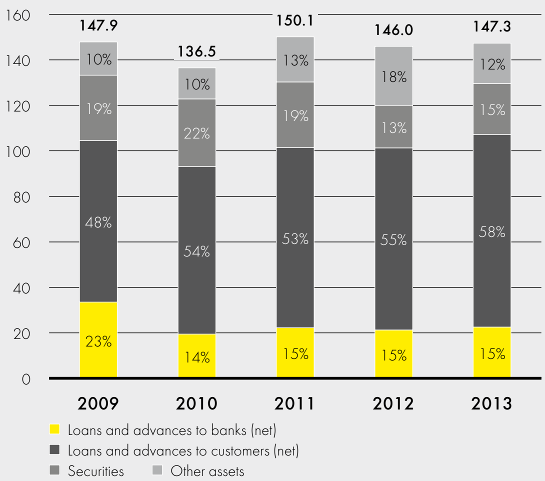
Income taxes rose € 17 million to € 293 million year-on-year. A rise in current tax expenses arose particularly in Russia and Ukraine due to the increase in net income. In turn, deferred taxes developed positively. Whereas expenses of € 12 million were posted in the previous year, income of € 15 million was generated during the reporting year. This was mainly due to a one-off effect – the release of a deferred tax liability of € 12 million – in Romania. The effective tax rate fell to 28 per cent, down from 30 percent during the previous year.

Statement of financial position

During 2013, RZB's total assets rose 1.0 per cent, or € 1.4 billion, to € 147.3 billion. In particular, initial consolidation of subsidiaries accounted for an € 11.1 billion increase at the year-end. In contrast, currency effects of around € 3.4 billion reduced total assets, mainly due to the US dollar (down 3 per cent) and some CEE currencies (Russian ruble: down 11 per cent, Czech koruna: down 9 per cent, Ukrainian hryvnia: down 5 per cent). Optimization of liquidity and subdued demand for loans in large parts of Central and Eastern Europe also reduced total assets.

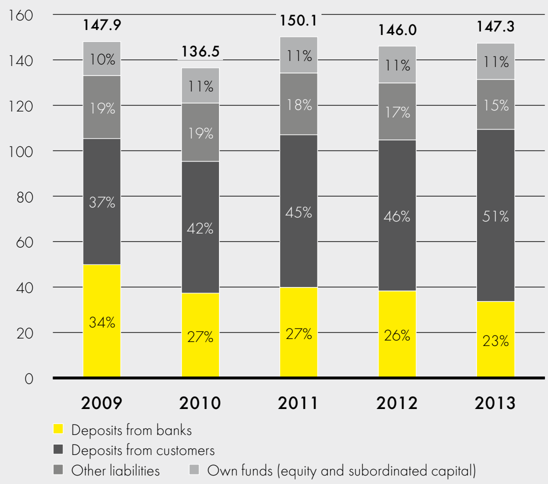
Breakdown of balance sheet assets

In € billion



Breakdown of equity and liabilities

In € billion



Assets

In 2013, loans and advances to customers (before deduction of loan loss provisions) rose 6 per cent, or € 5.0 billion, to € 90.6 billion. This was mainly attributable to Raiffeisen Bausparkasse GmbH, which was consolidated for the first time at the end of 2013, and which increased receivables by € 6.1 billion, with mortgage loans of € 4.5 billion accounting for the majority of this sum. Conversely, receivables from repurchase and securities lending transactions declined € 1.4 billion, and credit business with corporate customers also contracted € 1.7 billion to € 55.5 billion, notably due to developments in Austria, Russia and Hungary.

In contrast, interbank business climbed € 1.2 billion to € 22.7 billion in 2013. Giro and clearing business rose € 0.6 billion, mainly within RBI AG. In addition, loans to banks rose € 0.6 billion, mainly within RBI AG and due to the consolidation and integration of Raiffeisen Bausparkasse GmbH.

Provisioning for impairment losses rose € 0.3 billion to € 6.0 billion in the year under review. Of this, € 5.9 billion was attributable to loans and advances to customers and € 0.1 billion to loans to banks.

The item financial investments increased € 3.6 billion, chiefly as a result of bond purchases for liquidity purposes. The € 8.2 billion decline in other assets was primarily attributable to the € 4.0 billion decline in derivatives due to early offsetting with contract partners and the cash reserve of € 3.9 billion.

Equity and liabilities

Deposits from customers rose € 9.2 billion to € 75.7 billion year-on-year. Here, deposits from retail customers rose most sharply, by € 7.4 billion, primarily due to the consolidation and integration of Raiffeisen Bausparkasse GmbH. In contrast, repricing measures in Central and Eastern Europe led to a € 1.7 billion fall in deposits from retail customers, notably in Poland, Hungary and the Czech Republic. On the other hand, deposits from corporate customers rose € 2.3 billion (repo business up € 0.6 billion).

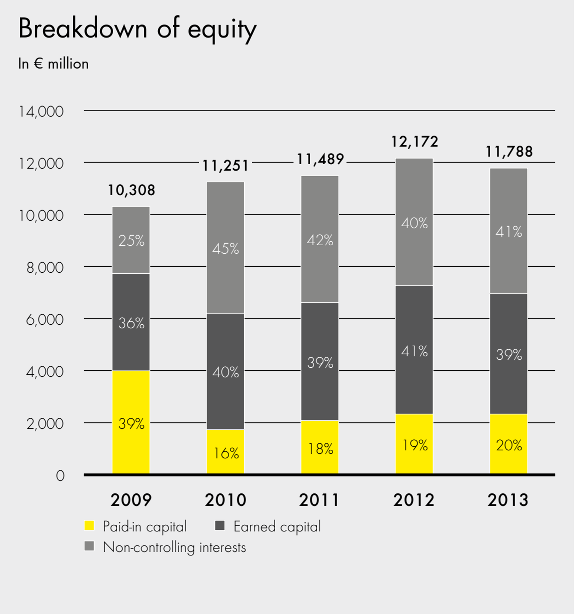
Deposits from banks fell € 4.7 billion. Money-market business at RZB declined, as did long-term financing at RBI AG.

Other liabilities – excluding subordinated capital – declined € 3.1 billion to € 22.0 billion. Trading derivatives decreased € 3.6 billion, as a result of early offsetting with contract partners. Securitized liabilities remained almost stable at € 13.5 billion. Here, the initial consolidation of Raiffeisen Wohnbaubank AG produced a € 2.1 billion increase. The RBI subgroup recorded a fall in the same amount, chiefly due to the reduced refinancing requirement, which also enabled early repayments. For example, as a result of the offer for early repayment of a government-guaranteed bond with maturity in 2014 within the framework of a tender, an amount of € 0.6 billion was repaid early.

Equity

Equity on the statement of financial position

RZB's balance sheet equity declined from the end of 2012 by € 384 million to € 11,788 million.



Consolidated equity, consisting of subscribed capital, capital reserves and retained earnings, decreased by € 352 million to € 6,546 million. A total of € 126 million of the profit generated in 2012 was retained. Other comprehensive income delivered a contribution of minus € 449 million: currency differences had a negative effect of € 358 million here. In addition the net income from the valuation of assets available-for-sale amounted to minus € 28 million largely due to the sales and the subsequent reclassification of the result in the income statement. The related deferred taxes totaled € 5 million and the impact from applying hyperinflation accounting generated a plus of € 22 million. Changes in equity at companies valued at equity resulted in a reduction of € 85 million largely from the AfS portfolio of UNIQA Insurance Group AG.

In June 2013 the Annual General meeting of RZB AG approved the payment of a dividend of € 36 per share for the fiscal year 2012. This resulted in a total dividend distribution of € 244 million. Consolidated net profit contributed € 422 million to equity in the year under review.

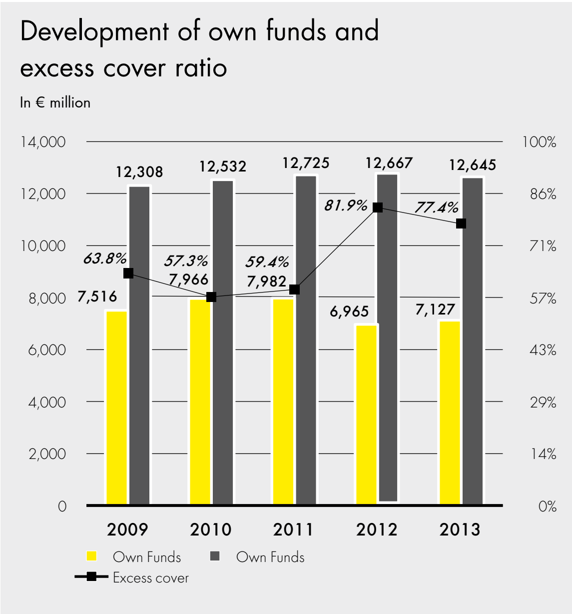
Capital attributable to non-controlling interests decreased in 2013 by € 84 million to € 4.820 million. The acquisition of non-controlling interests of 25 per cent in Raiffeisenbank Austria d.d., Zagreb, reduced equity by € 185 million, the acquisition of shares in Raiffeisen Bausparkasse GmbH at the end of 2013 increased capital by € 245 million. Other comprehensive income made a contribution of minus € 121 million: currency differences had a negative impact of € 103 million, changes in equity at companies valued at equity resulted in a reduction of € 20 million. In addition, in the year under review dividends amounting to € 285 million were distributed to minority shareholders consisting mainly of payments to the free float of RBI AG and the dividend for the participation capital of RBI.

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

The credit risk of RZB Banking Group is predominantly calculated according to the internal ratings-based approach (foundation IRB approach) in accordance with Section 22 BWG, which affects nearly all of the non-retail business at RBI AG and its subsidiaries in Croatia, Malta, Romania, Russia, Slovakia, the Czech Republic, Hungary and the USA.

A large part of the loans and advances to retail customers in Slovakia, the Czech Republic, Hungary and Romania are measured under the advanced IRB approach. Market risk is predominantly measured using the standard approach; RBI AG carries out the calculation in part according to the internal model.

Consolidated own funds in accordance with the BWG amounted to € 12,645 million as of 31 December 2013, which corresponds to a decline of € 22 million in the reporting year.



Core capital declined by € 311 million to € 9,695 million due mainly to the negative exchange-rate trend of the Russian ruble, the Ukrainian hryvnia, the Czech koruna and the Polish zloty. The acquisition of a 14 per cent interest in Raiffeisen Bausparkasse GmbH, Vienna, by contrast, brought an increase in minorities at the end of 2013, which was, however, largely neutralized by the negative effect from the acquisition of a 25 per cent non-controlling interest in Raiffeisenbank Austria d.d., Zagreb in July 2013 and the fair value valuation of UNIQA Insurance Group AG. The calculation includes the profit for the financial year, but the dividends that are presumably to be distributed for the fiscal year 2013 have already been deducted.

Additional own funds increased € 115 million year-on-year to € 3,409 million, consisting mainly of long-term subordinated capital, of which the largest part pertained to RBI AG at € 2,927 million, and the

eligible provision excess of IRB positions of € 224 million. Short-term subordinated capital increased € 55 million to € 357 million. The total deductions relating to participations, securitization and insurance companies amounted to € 816 million (2012: € 935 million). The decrease in the deductions for minorities is largely attributable to the absence of network banks due to full consolidation and to the mark-to-market valuation of UNIQA Insurance Group AG.

Own funds stood in contrast to a € 161 million higher own-funds requirement of € 7,127 million. The own-funds requirement for credit risk was € 5,895 million, representing an increase of 2.1 per cent or € 120 million. € 2,914 million of this were calculated using the standard approach and € 2,981 million using the IRB approach. The increase in the own-funds requirement for credit risk is due to the first-time consolidation of the network banks while the operating business used fewer own funds because of volume reductions.

The requirement for the position risk in bonds, equities and commodities increased by € 24 million to € 297 million, the own-funds requirement for the position risk in foreign currencies by contrast remained almost unchanged. The requirement for the operating risk was € 874 million (2012: € 860 million).

This led to a 5.4 percentage points reduction in the excess cover ratio to 77.4 per cent or € 5,519 million.

The tier 1 ratio based on the total risk was reduced by 1.0 percentage points to 10.4 per cent. The core tier 1 ratio was 9.9 per cent (minus 1.0 percentage points). The own funds ratio declined by 0.3 percentage points to 14.2 per cent.

Research and development

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

However, in the context of financial engineering it does develop customized solutions for investment, financing and risk hedging. Financial engineering encompasses not only structured investment products, but also and in particular structured financing: financing concepts that go beyond the application of standard instruments and are used in acquisition or project finance, for example. RZB also develops tailor-made solutions for its customers to hedge a broad spectrum of risks – from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RZB works actively in cash management to develop integrated product solutions for international payments.

The internal control and risk management system as part of the Group accounting process

Balanced and comprehensive financial reporting is a priority for RZB and its governing bodies. At the same time, these reports must comply with all the 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 the 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 the Austrian Commercial Code (UGB), which govern the preparation of consolidated financial statements. The accounting standards applied to the consolidated financial statements are the International Financial Reporting Standards (IFRS) in the form in which they have been taken over in the EU.

Control environment

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

- The hierarchical decision-making process for approving Group and company directives and departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publishing, implementation and monitoring of directives and instructions.
- Rules on revising and repealing directives and instructions.

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

The consolidated financial statements are prepared on the basis of service level agreements in the RBI Group Financial Reporting department, which reports to the Chief Financial Officer. The relevant responsibilities are defined Group-wide in 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, equity 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 the RBI Group Financial Reporting department in accordance with central guidelines. 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.

Consolidation

The transfer of financial statement data, which are examined by an independent auditor, is mainly effected by direct entry in or automatic transfer to the IBM Cognos Controller consolidation system by the end of January each year. The granting of limited access rights safeguards the security of the IT system.

The plausibility of the financial statement data submitted by the Group units is initially checked by the relevant key account manager within the RBI Group Financial Reporting department. Controls at the Group level encompass the analysis and any necessary adjustment of the financial statements submitted by the Group units. These controls take into account the reports submitted by the independent auditor and the results of the closing discussions with representatives of the individual companies, during which both the plausibility of the individual financial statements and individual critical issues of the Group units are discussed.

The subsequent consolidation steps are then performed in the IBM Cognos Controller consolidation system, which include capital consolidation, expense and income consolidation and debt consolidation. Finally, any intra-Group profits are eliminated through bookings at the Group level. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, the BWG and UGB.

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

The consolidated financial statements and the management report are reviewed by the Supervisory Board's Audit Committee and are also presented to the Supervisory Board for information. The consolidated financial statements are published on the Company's website and 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 standard 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.

The consolidated results are reported in the form of complete consolidated financial statements in the annual report. These consolidated financial statements are examined by an independent auditor. In addition, the management summary (Group management report) provides verbal comments on the consolidated results in accordance with the statutory requirements.

The Group produces consolidated quarterly reports. The external publication process takes place on a half-yearly basis: i.e. in addition to the consolidated financial statements as of year-end, a semi-annual financial report is drawn up and published in compliance with the provisions of IAS 34. 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 well as preliminary Group figures at regular intervals. The financial budgeting process includes the compilation of a three-year Group budget.

Monitoring

The Management Board and Controlling department are responsible for ongoing internal monitoring, while the departmental heads are responsible for the areas falling under their remit. This ensures that regular controls are performed and plausibility checks are carried out.

Internal Audit is also involved in the monitoring process. Group Audit at Raiffeisen Zentralbank is responsible for the auditing function. All auditing activities are subject to the Group Audit Standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and on 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 Management Boards of Raiffeisen Zentralbank and RBI AG.

Funding

Banks essentially refinance themselves using their own funds and customer deposits as well as various capital and interbank market tools. During the first half of 2013, the banks benefited from moderate economic recovery in certain markets, and the refinancing situation improved. Due to turbulence in emerging markets such as Russia and Turkey and the announcement of a stricter US money market policy, however, volatility on the capital markets increased again in the second half of the year.

Stable basis for refinancing

RZB's refinancing need is based on two key elements. First, there are customer deposits, which at the end of 2013 accounted for € 75.7 billion or 60 per cent of refinancing. Second, there is wholesale funding, which contributed a further 40 per cent or € 51.4 billion. The high share of customer deposits creates a stable refinancing basis, making RZB less vulnerable to the financial markets' volatility.

in € million	2013	Share	2012	Share
Customer deposits	75,660	59.6%	66,439	54.4%
Medium- and long-term refinancing	22,063	17.4%	23,786	19.5%
Short-term refinancing	25,121	19.8%	27,929	22.9%
Subordinated liabilities	4,181	3.3%	3,885	3.2%
Total	**127,026**	**100.0%**	**122,039**	**100.0%**

Diversified funding sources

RZB continued to focus on diversifying funding sources for the Group units in 2013. More than 40 per cent of the wholesale funding of RZB 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 market plays a key role (non-sensitive funding). In this, RZB collaborates actively with supranational institutions that have been important and reliable partners for the Group for a long time. This funding is also used to support SME and energy efficiency projects in Central and Eastern Europe. RZB and the network banks not only cooperate with these institutions in financing but also in other areas such as risk-sharing programs that optimize risk-weighted assets.

Additional sources of funding include the placement of Group unit bonds such as the unsecured bond, denominated in Romanian leu, issued by the Romanian Raiffeisen Bank in the summer of 2013. Austria's Raiffeisen Bank Group is another important funding partner for RZB.

Issues

RBI AG's resources for medium to long-term refinancing included two issuance programs, the "EUR 25 billion Debt Issuance Program" and the "EUR 20 billion issue program of Raiffeisen Bank International AG". Due to reasons of efficiency, these were merged halfway through the year to form one issuance program, the "EUR 25 billion Debt Issuance Programme". Under these programs, bonds can be issued in different currencies and with different structures. The total volume of outstanding bonds under these programs may not exceed € 25 billion. At the end of 2013, a total of € 13 billion had been drawn on.

RZB again implemented its funding plan promptly in 2013, primarily with low-volume private placements. Following the first successful tier 2 bond from an Austrian bank in Swiss francs in 2012, RZB took advantage of the friendly market environment before the summer break to issue a second tier 2 bond for CHF 250 million in the second quarter of 2013. With a ten-year maturity and a coupon of 4 per cent, this amounted to a premium of 362 basis points above CHF mid-swap.

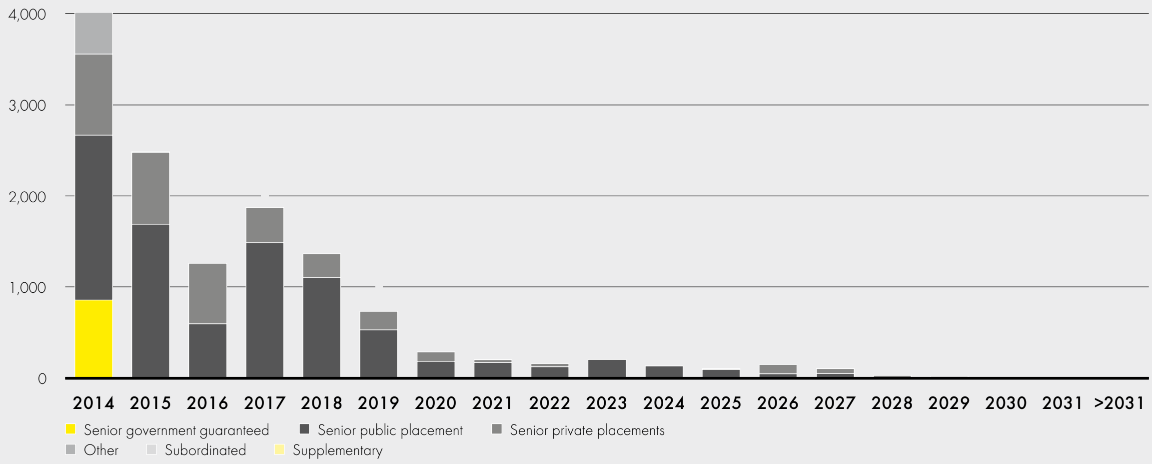
In July, the good liquidity situation enabled RBI AG to issue a buy-back offer for an outstanding, government guaranteed bond. In this offer, RBI AG bought back over € 500 million in total, thus enabling it to reduce its interest costs.

In mid-October, RBI AG 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 and with a five-year maturity. The premium of 78 basis points above € mid-swap at the time of issue was slightly below the level of the 5-year iTraxx Senior curve.

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

Maturity profile of the debt securities issued

In € million



Further refinancing measures

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

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

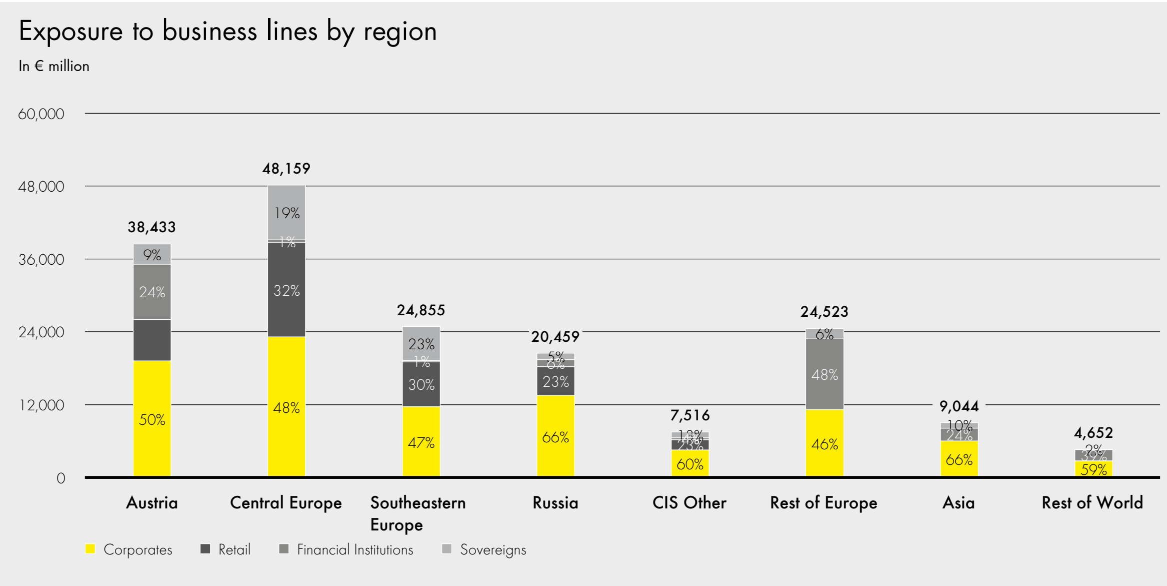
Risk management

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

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

Credit portfolio strategy

The chart shown below lists RZB's problem loans by business segment and region on 31. December 2013. The portfolio remained stable throughout 2013 and reflects the Group's business model.



Corporate customers are the backbone of the portfolio and are present in all regions. On 31. December2013, Group problem loans to corporate customers totaled € 82,779 million, down € 385 million year-on-year. This is attributable to a credit portfolio reduction at certain 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, the new business credit quality is significantly higher than that of the existing portfolio.

In 2013, retail business rose € 7,040 million year-on-year to a total of € 36,175 million. This arises primarily from the initial consolidation of affiliated companies (up € 6,795 million, of which € 5,401 million Raiffeisen Bausparkasse GmbH, Vienna). An increase in lending volumes was also seen in Russia, whilst retail exposure in the Central European region declined, primarily as a result of lower volumes due to subdued credit demand in Poland and very selective lending in Hungary.

The financial institutions sector consists mainly of loans and securities from Western European banks and lendings to the Austrian Raiffeisen Banking Group as part of the liquidity management within the sector. At the end of the reporting period, this portfolio totaled € 27,102 million, down € 3,987 million year-on-year. Above all, this decline was driven by liquidity optimization and impacted in fewer rating grade A3 problem loans (down € 5,522 million) as a result of fewer repo, swap and money market transactions.

In harmony with RZB's strategic orientation, credit exposure to sovereigns is kept at a low level. It serves primarily to meet the minimum reserve and liquidity management requirements. The credit portfolio in this segment remained extensively stable throughout 2013 and totaled € 22,373 million at the end of the year, down € 2,294 million year-on-year.

RZB has internal Credit Portfolio Committees to actively manage the credit portfolio; these are responsible for defining the credit portfolio strategies for different customer segments. Analyses by internal research departments and portfolio management are used as the basis for defining lending policies and limits for credit portfolio orientation. The credit portfolio strategies are regularly adjusted to changing market outlooks.

Despite the ECB-led settlement of the European government bond market, portfolio management remained focused on loans to governments, municipalities and banks over the past few quarters. Existing debts were constantly reassessed and – when necessary – limits were reduced. In addition to regulatory requirements in the home market, involvement in government securities is used primarily to strengthen the liquidity buffer.

In the retail sector, particular focus was placed on cautious expansion of the consumer loan and credit card portfolio on the basis of selective and differentiated lending criteria as well as the implementation and extensive coverage of application and behavior scorecard models. In doing this, the retail sector made use of proven Group practices and successfully continued implementation of the refined lending policies. In the lending process, value was placed on further simplification and automation of decision-making rules.

Management of non-performing loans

The treatment of problem loans continued to be one of the priorities of risk management in 2013. Above all, the objectives and measures were aimed at improving the early recognition of potential problem cases, reporting on restructuring measures and rapid and effective reduction of the non-performing loan portfolio.

Continuing macroeconomic difficulties in RZB's home markets in 2013 were reflected in the rise in non-performing loans to € 9,273 million (up 12 per cent or € 969 million in comparison with the end of 2012). The non-bank portfolio in Austria and Slovenia, in particular, suffered from the default of certain large corporate customers, which also impacted in an increase in planned risk costs during the second half of the year. In contrast, the non-performing loan portfolio in the retail sector saw a slight fall of 1 percent or € 42 million to € 3,012 million.

The allocation of corresponding loan loss provisions was, however, partly offset by returns from reorganization measures. In doing so, adequate coverage was ensured through allowances.

In 2013, RZB achieved further improvements in the processes implemented for the early recognition and processing of at-risk loans, thus preventing a sharper rise in non-performing loans. Important key elements here included improved process efficiency, continuous measures for improving employee training in this sector and ongoing exchange of experience among the individual members of the Group.

Liquidity risk

RZB's liquidity position is subject to regular monitoring and forms part of the RZB Group's weekly reporting 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, RZB uses a long-established and proven limit model which requires high excess liquidity for short maturities and is based on contractual and historic capital inflows and outflows. Corresponding limits, which mitigate the negative impact of a possible increase in refinancing costs on RZB's operating result, also exist for medium and long-term maturities. 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 for the expected base case in order to adjust the resulting forecasts for capital commitment and refinancing needs. On the one hand, this should increase transparency with respect to actual costs and risks. On the other hand, it should also provide the proper 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 the Basel III liquidity ratios.

Interest rate risk

RZB's net interest income forms a significant part of earnings and therefore contributes extensively towards strengthening its capital basis and to the success of the business model. To do justice to this significance, risk management of interest rate flows is treated as its own entity by a dedicated unit which is independent from liquidity risk. Here, particularly the impact of different interest rate scenarios on net interest income is simulated. In close cooperation with the front office, RZB prepares for various developments in the markets so that it 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 innovative systems within the Group.

Market risk

Since January 2010, market risk management has been based on the figures from an internal model. The model uses a hybrid approach – i.e. a combination of historical and Monte Carlo simulations with 5,000 scenarios – to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest rate development, bond credit spreads, credit default swaps and equity indices. The model was expanded to include a stressed VaR module and improved 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 or the consideration of the current volatility levels in generating scenarios and different time horizons 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 RZB's trading and banking books based on VaR on a holding period of one day and a confidence interval of 99 per cent as well as sensitivity limits. The market risk position, the limit process and the presentation of all capital market activities on the income statement are among the items on the fixed agenda for the weekly Market Risk Committee meeting.

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

Operational risk

Both internal risk factors, e.g. impermissible actions, theft and deception, 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 controlled and managed within the area of operational risk. These risks are analyzed, managed and controlled on the basis of the Group's internal, historic loss data collection and the risk assessment results.

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 function, while the local units are responsible for detailed implementation.

Changes in the regulatory environment

RZB kept up with the current and the upcoming regulatory developments in 2013. One of the most important developments 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 the corresponding analysis of their impact.

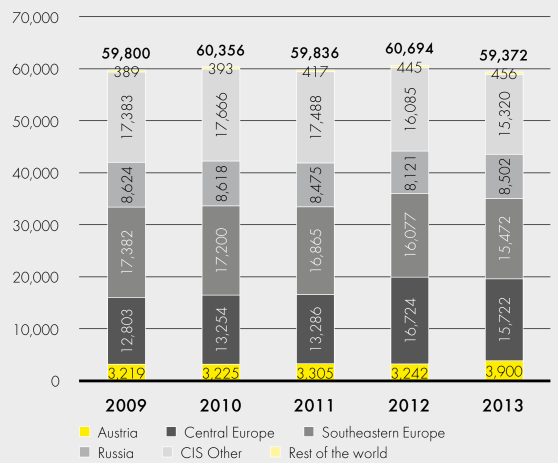
Focus during the second half of 2013 was on preparing for the changes pertaining to the single supervisory mechanism, especially the related statement of financial position reviews ("comprehensive assessment") by the European Central Bank (ECB), which will also lead to an asset quality review and a pan-European stress test during the first half of 2014. 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 the Group-wide further development of the standard approach for operational risk.

Human Resources

With a staff of 59,372 employees (full-time equivalents), RZB employed 2 per cent or 1,322 fewer people as of 31 December 2012 compared to the headcount at the end of 2012. The average age of employees remains relatively low at 36. Graduates accounted for 72 per cent of employees, indicating a highly skilled workforce. The share of female employees amounted to 67 per cent.

Development of personnel
Number of staff on balance sheet date



Talent management and management development

In 2013, talent management focused on further qualification measures for managers, ensuring high standards in the identification of talent and improving the quality of individual development plans. Alongside the cross-functional development programs for executives, a Group-wide program (GO IT!) was launched within IT aimed at tailored strengthening of executives' specialist and management expertise.

Professional development

Despite increased cost pressures, professional training of employees was considered an important task in 2013, with training efforts centered on the key strategic fields of risk management, process optimization ("Lean"), project management and compliance. Group-wide training initiatives were launched for Controlling/Accounting and Purchasing/Cost Management.

Local initiatives in the network banks

The focus in all network banks in 2013 was on cost optimization. Many network banks adopted measures to reduce HR costs and optimize the management structure. The current "Lean" program included endeavors to streamline processes and enhance their efficiency. Several banks placed special attention on the internal and external quality of customer service. For example, internal customer quality surveys were conducted to identify critical areas and facilitate improvement measures.

Developments in compensation

Since banks are typical services companies, personnel costs represent a major portion of administrative expenses – at RZB it was 49 per cent in 2013 – and cost reduction programs impacted salaries and fringe benefits, too. Personnel costs rose 3 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.

In 2013, work within Human Resources was channeled toward implementing special regulations for compensation systems in the banking sector. As in previous years, all companies within the RZB banking group were assessed based on risk criteria in order to determine on this basis to what extent the remuneration rules apply. The positions subject to the restrictive wage remuneration provisions of the BWG were also identified.

Focus on health

In Austria, RZB supports various activities to promote health. An annual health week is organized during which, employees can undergo a comprehensive health check or have their fitness status assessed in the "UNIQA Vital Truck". Additional services include the cooperation with "Consentiv", a company which assists employees and their families with both professional and personal matters, and with "IBOS - Institute for Burnout and Stress Management".

Such services are also available to employees in the network banks. For example, all employees of RBRU are offered extensive voluntary health insurance free of charge, which offers medical services in the best hospitals in all regions where the bank maintains branch offices. The initiative "Health and Productivity at Work" was launched within the Croatian Raiffeisenbank in 2013. By offering systematic access to key aspects such as work environment, work processes, cooperation and communication, the initiative aims to reduce work overload and stress while at the same time increasing efficiency and productivity.

ZukunftPLUS

As well as managing the entire program in terms of employment law, as part of the ZukunftPLUS program, Human Resources is also responsible for supporting change management and for the sub-project HR Shared Services Center. This aims to combine the HR departments of the subsidiaries and RBI AG to form an HR competence center. As steps proceed to pool the subsidiaries' service functions within shared service centers, 2014 will see the first staff migrations, including to Raiffeisen Zentralbank and RBI.

Events after the reporting date

RBI capital increase

RBI announced on 21 January 2014 that it intended to boost its capital base by issuing new shares. The first stage of the capital increase was an offering of new shares to selected qualified institutional investors by way of an accelerated bookbuilding process (pre-placement), in which all of 97,473,914 new shares were placed on 22 January. Raiffeisen Zentralbank participated in the capital increase via its 100% 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 will be applied to the extent that shareholders exercise their subscription rights in the second stage of the capital increase, namely a rights offering during the period from 24 January to 7 February 2014.

Whereas Raiffeisen Zentralbank 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 under the capital increase, with existing shareholders holding the remaining 7,399,125 new shares.

At a subscription and offer price of € 28.50 per new share, gross issue proceeds from the deal amounted to roughly € 2.78 billion. As a result of the capital increase, the free float of RBI AG increased significantly, to roughly 39.3 per cent as of the reporting date on 11 February 2014. Raiffeisen Zentralbank remains indirect majority shareholder, with about 60.7 per cent of shares. RBI AG intends to use the proceeds from the capital increase to repay participation capital amounting to € 2.5 billion.

A key reason for the capital increase was strengthening RBI's equity base to comply with the new Basel III rules (CRR), under which participation capital counts towards core Tier 1 capital (CET1) during a phase-in period only. The capital increase significantly improved the fully phased-in CET1 ratio as a result.

RZB as issuer

RBI AG issued bonds with a volume of € 864 million in the first two months of 2014. Particularly noteworthy is the € 500 million benchmark issue of 14 February 2014, with a coupon of 4.5 per cent p.a. (330 basis points above the Euro MidSwap reference interest rate). This subordinated bond maturing in 2025 and callable in 2020 (subject to regulatory requirements) was several times oversubscribed within a very short period.

Institutional security system established for RBG

The implementation of Basel III in the European Union became effective upon publication of the regulation (CRR) and directive (CRD IV) on 27 June 2013 in the EU Official Journal. Whereas CRR I applies directly in all EU member states as of 1 January 2014, CRD IV had to be translated into local legislation by all EU member states by 31 December 2013. These regulatory changes also resulted in a number of key adjustments relating to regulations, previously stipulated in the Austrian Banking Act (BWG), for a decentralized banking group organized according to cooperative principles: pursuant to Article 49 CRR, credit institutions will in principle have to deduct their holdings in own funds instruments of other credit institutions in calculating their own funds unless an exemption relating to institutional security systems (ISS) provided in Article 49 paragraph 3 CRR applies. Pursuant to Article 113 paragraph 7 CRR, credit institutions may, subject to approval by the competent authorities, assign a risk weight of 0 % to exposures – with the exception of risk assets forming items of core Tier 1 capital, additional core capital or supplementary capital pursuant to CRR – to counterparties with which they have concluded an ISS. The risk weight is relevant for calculating capital requirements under CRR.

In order to be able to take advantage of inter alia these legal effects also under the new regulatory framework, a decision was made at RBG in the course of 2013 to establish an ISS pursuant to Article 113 paragraph 7 CRR. An ISS within the meaning of Article 113 paragraph 7 CRR is a contractual or statutory liability agreement that protects participating institutions and that ensures in particular their liquidity and solvency, if necessary, to avoid bankruptcy. Based on RBG's three-tier organizational structure, the ISS was designed as a two-tier system and proposals were submitted to the competent supervisory authority accordingly.

The FMA granted preliminary approval to the proposals in its procedural orders in December 2013 in accordance with Article 113 paragraph 7 and Article 49 paragraph 3 CRR. Raiffeisen Zentralbank as the central institution of RBG is thus member of the federal ISS, in which – in addition to regional Raiffeisen headquarters – Raiffeisen Wohnbaubank AG and Raiffeisen Bausparkasse Gesellschaft m.b.H. also participate. In addition, a regional ISS has been established in most federal states, with respective regional Raiffeisen banks and local Raiffeisen banks being regional ISS members. The basis for the federal ISS is uniform and joint risk monitoring as part of the early warning system of Österreichische Raiffeisen-Einlagensicherung (ÖRE). The ISS thus constitutes a further integral component supplementing the joint aid association within the scope of RBG in the event of economic problems of a member institution.

New calculation base for Austrian bank levy

As part of the Tax Amendment Act, a new calculation base for the special bank tax also referred to as the stability levy was agreed in February 2014. While the stability levy based on the volume of derivatives has been eliminated, the levy on total assets has been increased; the levy base rate was raised from 0.055 per cent to 0.09 per cent on assets between € 1 billion and € 20 billion, and from 0.085 per cent to 0.11 per cent on assets above € 20 billion. At the same time, the additional special contribution to the stability levy was raised from 25 per cent to 45 per cent. This amendment will result in a considerably higher levy burden on regional Raiffeisen banks and Raiffeisen Zentralbank whereas its impact on the Raiffeisen Zentralbank Group is seen as relatively neutral. However, the previous statutory levy base rate would have resulted in a significantly lower stability levy for the Group in 2014.

Political and economic upheavals in Ukraine

The political and economic situation in Ukraine deteriorated significantly in the first few weeks of 2014. This led to an expansion of Ukraine's budget deficit, accompanied by a reduction in the National Bank of Ukraine's currency reserves and deterioration of Ukrainian government bonds' rating. At the time that the year-end report was being finalized, the Ukrainian hryvnia depreciated roughly 11 per cent against the US dollar. The National Bank responded by intensifying its foreign exchange controls and revising its exchange rate policy. At the editorial deadline, it was not yet possible to estimate the impact on Raiffeisen Bank Aval's financial and asset position. However, the devaluation of the hryvnia has resulted in negative currency exchange differences within RZB's equity capital.

Tensions in the region also impacted Russia, as evidenced by uncertainty stemming from losses on the Moscow stock exchange, as well as by the devaluation of the Russian ruble against the US dollar of around 10 per cent. The ruble's devaluation has led to negative currency exchange differences within RZB's equity capital.

At the time the year-end report was being finalized, the development of all currencies relevant to RZB resulted in a reduction in its Tier 1 ratio (CET1) of roughly 25 basis points.

Outlook

Economic outlook

Central Europe

Positive growth trends from the second half of 2013 should continue to accelerate in the Central European region in 2014. Signs of an economic turnaround are evident, and the development in the Eurozone should support positive export momentum. Domestic demand is also expected to pick up, which would further underpin the sustainability of the economic recovery. Following 0.6 per cent GDP growth in 2013, the forecast for 2014 is currently 2.3 per cent. Poland is likely to remain the top performing country, with GDP growth of 2.9 per cent, while the Czech Republic, whose GDP shrank 1.3 per cent in 2013, could achieve 2.3 per cent growth in 2014, marking the strongest improvement. Slovenia is the only economy expected to contract slightly.

In terms of monetary policy, the reins are likely to remain loose, with restrictive steps expected to be taken as of the second half of 2014. Fiscal consolidation is well advanced in Central Europe. The Czech Republic, Hungary and Slovakia should be able to keep their budget deficits below the Maastricht limit of 3 per cent of GDP. Poland may slightly exceed this level, and Slovenia even significantly so. Overall, Central Europe should expand from the weakest to the most dynamic CEE region in 2014.

Southeastern Europe

The Southeastern European region pulled out of the economic downturn earlier than did Central Europe. The year 2013 already saw a significant rebound – as a result, the potential for a further economic recovery in Southeastern Europe will be less pronounced in 2014. Moreover, owing to its weaker export orientation, Southeastern Europe stands to benefit less significantly from the recovery in the Eurozone. Aggregate economic growth in the region is projected at 1.7 per cent for 2014, unchanged from the previous year, albeit marked by strong heterogeneity among individual countries.

Romania, for example, should continue its growth trajectory with an increase of 2.3 per cent as strong export growth is expected to feed through to domestic demand, similarly to Central Europe. In contrast, Croatia continues to grapple with a five-year-long recession and at best will enter a stagnation phase in 2014. In Serbia, much-needed reforms and austerity measures might ultimately even lead to a weakening of economic growth. In addition, Croatia and Serbia have the largest budget deficits in Southern 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 from 2010 to 2012, the CIS region posted an increase of merely 1.5 per cent in 2013, with only limited upside potential seen also for 2014. Russia looks set to achieve economic growth of slightly below 2 per cent, mainly driven by domestic demand, with only limited stimulus coming from investment and exports. In Ukraine, the slight recession of the previous year is expected to deepen. Ongoing domestic and foreign political uncertainty, as well as continued high external imbalances, hamper a recovery in this country.

The Russian budget should continue to show only a marginal deficit, assuming a peaceful solution to the conflict with Ukraine is found. However, this masks the structural weakness that the budget deficit without oil revenues would be fairly high, at roughly 8-10 per cent of GDP. Ukraine is also likely to run a significant budget deficit and thus remain dependent, as is Belarus, on continued financial support.

Eurozone

The Eurozone should see a steady acceleration of economic growth in 2014. The robust economic momentum of key trading partners and improved competitiveness of many crisis-affected countries bode well for a sustained recovery of the export sector. At the same time, the drag effect from the consolidation of public finances should diminish. In Germany, the domestic economy in particular harbors growth potential thanks to favorable financing conditions, as well as pent-up consumption and investment demand. In the Netherlands, Ireland and Finland, consumption and investment growth in 2014 should likewise contribute to new growth in the wake of sharp setbacks. In contrast, France is increasingly becoming more of a problem child, with growth forecasts already below the EU average as a result of weak domestic and export demand. At the same time, considerable downside risks exist as well. 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, an economic recovery in these countries could be driven only by a rebound in foreign trade. However, divergent trends can also be observed in Southern Europe. For example, Spain and Portugal are showing signs of a much more dynamic recovery compared to Italy whereas Greece is unlikely to work its way out of recession until sometime later in 2014. Regarding inflation, low wage increases and weak consumer demand in the Eurozone suggest that pressure on prices will be subdued. Accordingly, an average inflation rate of roughly 1.3 per cent – or even around only 0.8 per cent excluding energy and food prices – is expected for 2014.

Austria

Economic momentum in Austria is expected to accelerate in 2014. Economic growth is forecast to reach its peak in the 2014/2015 winter half-year, with domestic demand seen as the principal driving force. This should continue to stimulate private consumption and corporate investment activity. At the same time, private consumption stands to benefit from the increasingly dynamic employment situation over the course of 2014. Higher exports will provide tailwind for investment growth. Continued favorable financing conditions are also conducive to investment activity. This economic trend is reflected in real GDP growth expectations of 1.5 per cent for 2014 and 2.3 per cent for 2015. At the same time, no appreciable inflationary pressure is foreseeable. Consumer prices (HCPI) should rise approximately 1.8 per cent both in 2014 and in 2015.

Business outlook

RBI exerts the most significant influence on business performance in the RZB Group. RBI aims to slightly increase its loans and advances to customers in 2014. Its calculated need for net provisioning for impairment losses roughly matches the previous year's level. However, the results could be affected by the ECB's upcoming Asset Quality Review, with developments in Ukraine and their potential impact on the region not taken into account.

As part of its cost reduction program, RBI plans to reduce its general administrative expenses by 2016 to a level roughly on a par with that of 2012. It strives to attain a cost/income ratio of 50-55 per cent by 2016. Its calculated costs for 2014 are roughly in line with the 2013 level. For the medium term, RBI is aiming for a return on equity before taxes of around 15 per cent.

RBG will continue to systematically implement its ZukunftPLUS program in 2014. The program is designed to improve RBG's processes and structures at the federal level while at the same time bundling processing areas and staff departments in order to exploit synergies and efficiency potential.

As a result of the capital increases undertaken by RBI AG (2014) and UNIQA (2013), Raiffeisen Zentralbank's shares in these companies have been diluted. The share of the Group's profit attributable to shareholders of Raiffeisen Zentralbank will diminish accordingly.

Consolidated financial statements

Statement of comprehensive income

Income statement

€ 000	Notes	2013	2012	Change
Interest income		6,150,839	6,562,222	(6.3)%
Current income from associates		166,518	42,051	296.0%
Interest expenses		(2,386,299)	(3,073,505)	(22.4)%
Net interest income	**[2]**	**3,931,058**	**3,530,767**	**11.3%**
Net provisioning for impairment losses	[3]	(1,199,856)	(1,030,683)	16.4%
Net interest income after provisioning		**2,731,202**	**2,500,084**	**9.2%**
Fee and commission income		2,016,936	1,874,573	7.6%
Fee and commission expense		(386,801)	(353,405)	9.4%
Net fee and commission income	**[4]**	**1,630,134**	**1,521,168**	**7.2%**
Net trading income	[5]	322,711	195,671	64.9%
Net income from derivatives and liabilities	[6]	(250,301)	(131,894)	89.8%
Net income from financial investments	[7]	150,389	239,902	(37.3)%
General administrative expenses[1]	[8]	(3,459,706)	(3,340,150)	3.6%
Other net operating income	[9]	(71,520)	(79,171)	(9.7)%
Net income from disposal of group assets	[10]	(3,927)	12,144	–
Profit before tax		**1,048,983**	**917,754**	**14.3%**
Income taxes[1]	[11]	(293,451)	(276,948)	6.0%
Profit after tax		**755,533**	**640,807**	**17.9%**
Profit attributable to non-controlling interests		(333,426)	(270,390)	23.3%
Consolidated profit		**422,107**	**370,417**	**14.0%**

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]	62.29	58.79	3.50

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

Earnings per share are obtained by dividing adjusted consolidated profit by the average number of ordinary shares outstanding. In the fiscal year 2013, the number of common shares outstanding was 6,776,750 (2012: 6,301,033).

There were no conversion rights or options outstanding, so there was no dilution of earnings per share.

Other comprehensive income and total comprehensive income

€ 000	Total 2013	2012	Group equity 2013	2012	Non-controlling interests 2013	2012
Profit after tax	**755,533**	**640,807**	**422,107**	**370,417**	**333,426**	**270,390**
Items which are not reclassified to profit and loss	**4,997**	**(9,919)**	**4,389**	**(8,992)**	**608**	**(927)**
Remeasurements of defined benefit plans	6,937	(13,530)	6,125	(12,298)	812	(1,232)
Deferred taxes on items which are not reclassified to profit and loss	(1,940)	3,611	(1,737)	3,306	(204)	305
Items that may be reclassified subsequently to profit or loss	**(575,044)**	**289,584**	**(453,744)**	**207,822**	**(121,300)**	**81,761**
Exchange differences	(461,294)	168,077	(357,996)	118,312	(103,299)	49,765
hereof unrealized net gains (losses) of the period	(461,294)	168,077	(357,996)	118,312	(103,299)	49,765
Capital hedge	4,656	225	3,667	177	989	48
Hyperinflation	31,158	33,995	21,529	23,420	9,628	10,575
Net gains (losses) on derivatives hedging fluctuating cash flows	(16,364)	(1,245)	(12,887)	(977)	(3,477)	(267)
hereof unrealized net gains (losses) of the period	(16,364)	(1,245)	(12,887)	(977)	(3,477)	(267)
Changes in equity of companies valued at equity	(105,274)	198,285	(85,457)	153,069	(19,817)	45,216
Net gains (losses) on financial assets available-for-sale	(34,552)	(147,375)	(27,819)	(115,718)	(6,733)	(31,657)
hereof unrealized net gains (losses) of the period	7,943	15,670	5,063	12,304	2,880	3,366
hereof net gains (losses) reclassified to income statement	(42,494)	(163,045)	(32,881)	(128,022)	(9,613)	(35,023)
Deferred taxes on income and expenses directly recognized in equity	6,626	37,620	5,218	29,539	1,408	8,081
hereof unrealized net gains (losses) of the period	1,076	(3,142)	847	(2,467)	229	(675)
hereof net gains (losses) reclassified to income statement	5,550	40,761	4,371	32,005	1,179	8,756
Other comprehensive income	**(570,047)**	**279,665**	**(449,355)**	**198,830**	**(120,692)**	**80,835**
Total comprehensive income	**185,485**	**920,472**	**(27,249)**	**569,247**	**212,734**	**351,224**

Other comprehensive income

In the reporting year, IAS 19R was implemented which required retrospective application. The required revaluation of defined benefit plans resulted in other comprehensive income of € 6,937 thousand in the reporting year. Retrospectively, the previous year was adapted by minus € 13,602 thousand.

In 2013, exchange differences derived especially from changes of Russian rouble, Czech koruna and Ukrainian hryvnia to Euro. In the previous year exchange differences resulted from the Polnish zloty, Russian rouble and Hungarian forint.

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.

Changes in equity of companies valued at equity mainly refer to changes in UNIQA Insurance Group AG and Leipnik-Lundenburger Invest Beteiligungs Aktiengesellschaft. Basically it deals with measurement changes of the available-for-sale portfolio of securities. A one-off effect – resulting from the dilution as a consequence of the capital increase of UNIQA Insurance Group AG – derived from partial release of this item through profit and loss.

Changes in fair value of available-for-sale financial assets shown in other comprehensive income resulted from financial investments.

The following components of retained earnings developed as follows:

€ 000	Remeasurements reserves	Exchange differences	Capital hedge	Hyperinflation	Cash-Flow Hedge	Fair value reserve (afs financial assets)	Deferred taxes
As of 1/1/2012	**112**	**(1,105,780)**	**57,077**	**65,553**	**(8,234)**	**152,474**	**297,373**
Unrealized net gains (losses) of the period	(12,298)	118,312	177	23,420	(977)	12,304	839
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	(128,022)	32,005
As of 31/12/2012	**(12,186)**	**(987,468)**	**57,254**	**88,973**	**(9,211)**	**36,756**	**330,218**
Unrealized net gains (losses) of the period	6,125	(357,996)	3,667	21,529	(12,887)	5,063	(889)
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	(32,881)	4,371
As of 31/12/2013	**(6,061)**	**(1,345,463)**	**60,921**	**110,503**	**(22,098)**	**8,937**	**333,700**

Interim results

€ 000	H1/2012	H2/2012	H1/2013	H2/2013
Net interest income	1,797,920	1,732,848	1,939,453	1,991,606
Net provisioning for impairment losses	(407,365)	(623,319)	(455,083)	(744,773)
Net interest income after provisioning	**1,390,555**	**1,109,529**	**1,484,370**	**1,246,832**
Net fee and commission income	723,244	797,924	788,211	841,924
Net trading income	155,367	40,303	144,390	178,321
Net income from derivatives and liabilities	(22,823)	(109,070)	(183,321)	(66,980)
Net income from financial investments	253,317	(13,415)	63,634	86,755
General administrative expenses[1]	(1,554,909)	(1,785,241)	(1,663,292)	(1,796,414)
Other net operating income	(11,883)	(67,287)	(55,049)	(16,472)
Net income from disposal of group assets	(1,476)	13,620	(6,149)	2,222
Profit/loss before tax	**931,391**	**(13,637)**	**572,794**	**476,190**
Income taxes[1]	(197,911)	(79,037)	(153,687)	(139,764)
Profit/loss after tax	**733,481**	**(92,674)**	**419,107**	**336,426**
Profit attributable to non-controlling interests	(236,820)	(33,569)	(171,366)	(162,060)
Consolidated profit/loss	**496,660**	**(126,243)**	**247,741**	**174,366**

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

€ 000	H1/2010	H2/2010	H1/2011	H2/2011
Net interest income	1,790,100	1,838,551	1,811,498	1,773,365
Net provisioning for impairment losses	(608,300)	(589,430)	(411,333)	(687,972)
Net interest income after provisioning	**1,181,800**	**1,249,121**	**1,400,165**	**1,085,393**
Net fee and commission income	715,000	776,894	737,494	755,366
Net trading income	181,100	141,549	257,144	88,574
Net income from derivatives and liabilities	(135,000)	46,959	42,713	365,516
Net income from financial investments	52,700	92,660	11,961	(194,754)
General administrative expenses[1]	(1,467,700)	(1,601,445)	(1,553,703)	(1,654,420)
Other net operating income	13,800	38,639	(16,021)	(178,923)
Net income from disposal of group assets	4,900	1,151	(2,587)	(231)
Profit before tax	**546,600**	**745,528**	**877,166**	**266,521**
Income taxes[1]	(59,200)	(64,684)	(200,150)	(215,155)
Profit after tax	**487,400**	**680,844**	**677,015**	**51,366**
Profit attributable to non-controlling interests	(85,800)	(368,780)	(188,951)	(67,054)
Consolidated profit	**401,600**	**312,064**	**488,064**	**(15,689)**

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

Statement of financial position

Assets in € 000	Notes	31/12/2013	31/12/2012	Change
Cash reserve	[14.35]	8,246,471	12,157,356	(32.2)%
Loans and advances to banks	[15.35,56]	22,650,421	21,430,482	5.7%
Loans and advances to customers	[16.35,56]	90,594,260	85,599,701	5.8%
Impairment losses on loans and advances	[17.55]	(5,989,781)	(5,715,230)	4.8%
Trading assets	[18.35,56]	7,535,053	9,773,805	(22.9)%
Derivatives	[19.35,56]	993,974	1,404,223	(29.2)%
Financial investments	[20.35,56]	16,373,805	13,967,579	17.2%
Investments in associates	[21.35,56]	1,601,343	1,719,743	(6.9)%
Intangible fixed assets	[22.24,55]	1,349,996	1,326,768	1.8%
Tangible fixed assets	[23.24,55]	1,930,244	1,966,517	(1.8)%
Other assets	[25.35,56]	2,038,305	2,324,056	(12.3)%
Total assets		**147,324,090**	**145,955,000**	**0.9%**

Equity and liabilities in € 000	Notes	31/12/2013	31/12/2012	Change
Deposits from banks	[26.35,56]	33,732,544	38,409,769	(12.2)%
Deposits from customers	[27.35,56]	75,660,310	66,439,464	13.9%
Debt securities issued	[28.35,56]	13,452,100	13,304,407	1.1%
Provisions for liabilities and charges	[29.35,56]	947,527	848,077	11.7%
Trading liabilities	[30.35,56]	5,126,317	8,823,404	(41.9)%
Derivatives	[31.35,56]	397,907	489,083	(18.6)%
Other liabilities	[32.35,56]	2,038,520	1,583,831	28.7%
Subordinated capital	[33.35,56]	4,180,749	3,885,246	7.6%
Equity	[34.35]	11,788,116	12,171,718	(3.2)%
Consolidated equity[1]		6,546,199	6,897,913	(5.1)%
Consolidated profit[1]		422,107	370,417	14.0%
Non-controlling interests		4,819,810	4,903,388	
Total equity and liabilities		**147,324,090**	**145,955,000**	**0.9%**

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

Statement of changes in equity

€ 000	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2012	**443,714**	**591,843**	**1,050,634**	**4,062,915**	**472,459**	**4,867,187**	**11,488,752**
Effects of the retrospective application of IAS 19R	0	0	0	112	(112)	0	0
Equity as of 1/1/2012	**443,714**	**591,843**	**1,050,634**	**4,063,027**	**472,348**	**4,867,187**	**11,488,752**
Capital increases/shifting	48,753	(591,843)	784,142	0	0	17,124	258,175
Transferred to retained earnings	0	0	0	287,781	(287,781)	0	0
Dividend payments	0	0	0	0	(184,567)	(262,311)	(446,878)
Total comprehensive income[1]	0	0	0	198,830	370,417	351,224	920,472
Other changes	0	0	0	21,033	0	(69,836)	(48,803)
Equity as of 31/12/2012	**492,467**	**0**	**1,834,776**	**4,570,671**	**370,417**	**4,903,388**	**12,171,718**
Capital increases/shifting	0	0	0	0	0	9,358	9,358
Transferred to retained earnings	0	0	0	126,454	(126,454)	0	0
Dividend payments	0	0	0	0	(243,963)	(284,916)	(528,879)
Total comprehensive income	0	0	0	(449,355)	422,107	212,734	185,485
Other changes	0	0	0	(28,812)	0	(20,754)	(49,566)
Equity as of 31/12/2013	**492,467**	**0**	**1,834,776**	**4,218,957**	**422,107**	**4,819,810**	**11,788,116**

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

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

Other changes in equity comprises increases from the purchase of a 51 per cent share in A-Leasing SpA, Treviso (ALEASS) and A-Real Estate S.p.A., Bozen (AREALE), of 14 per cent share in Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (RBSPK), of 50 per cent share in Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (RKAG), of 75 per cent share in Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (RWBB), and of 60 per cent share in Raiffeisen Factor Bank AG, Vienna (RFACTR). However, these increases were mostly offset by decreases resulting from the purchase of a 25 per cent share in Raiffeisenbank Austria d.d., Zagreb.

In the previous year, other changes in equity were mainly due to purchases of non-controlling interests, namely a share of 49 per cent in Raiffeisen-Leasing G.m.b.H, Vienna, a share of 30 per cent in Raiffeisen Bank Zrt., Budapest, a share of 12 per cent in Raiffeisen Bank d.d., Maribor, as well as 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	**755,533**	**640,807**
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	442,208	555,634
Net provisioning for liabilities and charges and impairment losses	1,458,278	1,164,217
Gains (losses) from disposals of tangible fixed assets and financial investments	(45,933)	(19,307)
Other adjustments (net)	1,438,907	84,345
Subtotal	**4,048,993**	**2,425,696**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	468,631	4,404,069
Trading assets/trading liabilities (net)	(1,691,810)	(210,996)
Other assets/other liabilities (net)	(963,816)	818,679
Deposits from banks and customers	(2,568,651)	(5,281,129)
Debt securities issued	(1,752,918)	(1,449,928)
Net cash from operating activities	**(2,459,571)**	**706,391**
Proceeds from sale of:		
Financial investments	1,960,960	2,432,436
Tangible and intangible fixed assets	183,242	161,160
Proceeds from disposal of group assets	7,460	822
Payments for purchase of:		
Financial investments	(2,229,705)	(2,123,069)
Tangible and intangible fixed assets	(462,111)	(564,991)
Payments for acquisition of subsidiaries	(132,852)	(818,540)
Net cash from investing activities	**(673,006)**	**(912,182)**
Capital increases	9,358	258,175
Inflows/outflows of subordinated capital	102,913	(349,155)
Dividend payments	(528,879)	(446,878)
Change in non-controlling interests	(185,884)	(447,629)
Net cash from financing activities	**(602,492)**	**(985,487)**

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

€ 000	2013	2012
Cash and cash equivalents at the end of previous period	**12,157,356**	**12,951,118**
Cash from the acquisition of subsidiaries	54,411	339,640
Net cash from operating activities	(2,459,571)	706,391
Net cash from investing activities	(673,006)	(912,182)
Net cash from financing activities	(602,492)	(985,487)
Effect of exchange rate changes	(230,228)	57,878
Cash and cash equivalents at the end of period	**8,246,471**	**12,157,356**

Payments for taxes, interest and dividends	2013	2012
Interest received	5,511,080	6,425,946
Dividends received	31,703	6,411
Interest paid	(2,252,353)	(2,869,156)
Income taxes paid	(111,077)	(123,449)

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

Internal management reporting at RZB is based on the current organizational structure. Segmentation is based on cash-generating units. Accordingly, the RZB management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability. These reporting criteria were accordingly seen as material in accordance with IFRS 8 for the purpose of segmentation.

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

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

Raiffeisen Bank International Group (RBI)

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

Raiffeisen Banking Group (RBG)

This segment consolidates the activities and participations that enable RZB to perform its tasks as the lead bank of Austrian Raiffeisen Banking Group. This segment accordingly reports all the net income from the banking business of Raiffeisen Zentralbank within Raiffeisen Banking Group. In addition, it shows the leasing business of RZB with numerous project companies in Austria and abroad. At the end of 2013, Raiffeisen Zentralbank took over the majority of business divisions such as the building societies, factoring and fund business that were until then jointly operated with the Regional Raiffiesen Banks (Raiffeisen-Landeszentralen). Consequently, the previously at equity included results will be fully consolidated from 2014 on. The results from the remaining participations portfolio that belongs to Raiffeisen Banking Group are also shown in this segment. Allocated costs from Group-wide services are also attributed to this segment. These are amongst others Group services such as Sector Marketing and Sector Services. Income from companies valued and recognized at equity with strategic participation nature is also reported here; this includes, in particular, UNIQA Insurance Group AG.

Other equity participations

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

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, RZB´s management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

To keep the presentation of RZB segment performance transparent and informative, the following management and reporting criteria are used to determine the success of a CGU (cash generating unit).

- **Return on equity before tax** measures the profitability of the CGU and is calculated as the ratio of pre-tax profit to average capital employed. It shows the return on the capital employed in the segment. Another measure of profitability used for internal management is the return on risk-adjusted capital (RORAC). This ratio shows the return on risk-weighted equity (economic capital), but is not a criterion recognized by IFRS.

- The **cost/income ratio** shows the cost efficiency of the segments. It is the ratio of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income and other net operating income (less banking levies and impairment of goodwill).

- **Risk-weighted assets** are an important indicator of the change in business volume. Risk-weighted assets according to the Austrian Banking Act (BWG, based on Basel II) are an industry-specific addition for segment assets since this number is based on the regulatory minimum equity requirement of 8 per cent.

The basis for segment reporting is the income statement. Income and expenses are allocated to the segment where the income is generated. Income comprises net interest income, net fee and commission income, net trading income and other net operating income. The results are also shown for associated companies recognized at equity. The main expense items, which are part of segment results, are carried in the income statement. The segment result is shown up to consolidated net income/loss. Segment assets are shown as total assets and risk-weighted assets. Liabilities include all the items on the liabilities side of the statement of financial position with the exception of equity.

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

Financial year 2013 € 000	RBI	RBG	Other Equity participations	Reconciliation	Total
Net interest income	3,748,939	326,189	41,487	(185,556)	3,931,058
Net fee and commission income	1,631,327	3,807	(64)	(4,936)	1,630,134
Net trading income	321,071	(1,773)	0	3,414	322,711
Other net operating income[1]	61,539	83,808	39,621	(46,467)	138,501
Operating income	**5,762,875**	**412,030**	**81,043**	**(233,545)**	**6,022,404**
General administrative expenses	(3,377,809)	(88,836)	(38,835)	45,774	(3,459,706)
Operating result	**2,385,067**	**323,195**	**42,208**	**(187,771)**	**2,562,699**
Net provisioning for impairment losses	(1,149,215)	(78,913)	1	28,272	(1,199,856)
Other results[3]	(436,261)	77,401	2,350	42,651	(313,859)
Profit before tax	**799,591**	**321,682**	**44,558**	**(116,847)**	**1,048,983**
Income taxes	(276,915)	(8,111)	(8,982)	558	(293,451)
Profit after tax	**522,676**	**313,571**	**35,576**	**(116,290)**	**755,533**
Profit attributable to non-controlling interests	(305,363)	(28,063)	0	0	(333,426)
Profit after deduction of non-controlling interests	**217,313**	**285,507**	**35,576**	**(116,290)**	**422,107**
Share of profit before tax	68.6%	27.6%	3.8%	–	100.0%
Risk-weighted assets (credit risk)	65,222,698	9,550,902	686,289	(1,767,439)	73,692,450
Total own funds requirement	6,382,805	830,211	58,323	(144,815)	7,126,524
Assets	130,709,080	21,091,426	3,900,159	(8,376,576)	147,324,090
Risk/revenue ratio	30.7%	24.2%	0.0%	–	30.5%
Cost/income ratio	58.6%	21.6%	47.9%	–	57.4%
Average equity	10,903,536	1,135,566	110,574	(370,428)	11,779,249
Return on equity before tax	**14.7%**	**56.7%**	**80.6%**	**–**	**8.9%**
Business outlets	3,025	11	0	1	3,037

Financial year 2012 € 000	RBI	RBG	Other Equity participations	Reconciliation	Total
Net interest income	3,475,191	245,563	(7,489)	(182,497)	3,530,767
Net fee and commission income	1,517,151	5,135	79	(1,197)	1,521,168
Net trading income	214,686	(861)	6	(18,161)	195,671
Other net operating income[1]	89,342	33,056	36,199	(32,424)	126,173
Operating income	**5,296,370**	**282,893**	**28,794**	**(234,278)**	**5,373,779**
General administrative expenses[2]	(3,300,965)	(66,358)	(34,869)	62,042	(3,340,150)
Operating result	**1,995,405**	**216,535**	**(6,075)**	**(172,236)**	**2,033,629**
Net provisioning for impairment losses	(1,008,823)	(21,861)	0	0	(1,030,683)
Other results[3]	(2,259)	(57,553)	(48,591)	23,212	(85,191)
Profit/loss before tax	**984,931**	**137,121**	**(54,666)**	**(149,631)**	**917,754**
Income taxes[2]	(271,492)	(9,529)	9,850	(5,777)	(276,948)
Profit/loss after tax	**713,439**	**127,592**	**(44,816)**	**(155,408)**	**640,807**
Profit attributable to non-controlling interests	(310,075)	40,612	0	(927)	(270,390)
Profit after deduction of non-controlling interests	**403,364**	**168,204**	**(44,816)**	**(156,335)**	**370,417**
Share of profit before tax	92.3%	12.8%	(5.1)%	–	100.0%
Risk-weighted assets (credit risk)	68,399,016	6,461,327	924,495	(3,794,669)	72,197,895
Total own funds requirement	6,661,300	528,288	73,960	(318,040)	6,965,210
Assets	136,530,553	16,036,903	4,867,660	(18,024,139)	145,955,000
Risk/revenue ratio	29.0%	8.9%	0.0%	–	29.2%
Cost/income ratio	64.8%	23.5%	121.1%	–	64.4%
Average equity	11,012,009	854,022	113,451	(480,669)	11,498,813
Return on equity before tax	**17.9%**	**32.1%**	**–**	**–**	**8.5%**
Business outlets	3,106	8	0	1	3,115

1 Excl. Impairment of goodwiell and banking levies.
2 Adaption of previous year figures due to the retrospective application of IAS 19R.
3 Incl. Impairment of goodwill and banking levies.

Notes

Principles underlying the consolidated financial statements

Reporting entity

Raiffeisen Zentralbank Österreich Aktiengesellschaft (Raiffeisen Zentralbank) is the lead member of Austrian Raiffeisen Banking Group and is registered at the Vienna Commercial Court in the company register under FN 58.882 t. The company address is Am Stadtpark 9, 1030 Vienna

The Raiffeisen Landesbanks have consolidated their holdings in Raiffeisen Zentralbank AG in a separate company, Raiffeisen-Landesbanken-Holding GmbH (RLBHOLD). Through its subsidiary R-Landesbanken-Beteiligung GmbH, this holds directly and indirectly roughly 82.4 per cent of Raiffeisen Zentralbank and is the parent company for the Group as a whole. In accordance with the Austrian rules for disclosure, the consolidated financial statements of RLBHOLD are deposited with the commercial court with which the company is registered and published in "Amtsblatt zur Wiener Zeitung".

Raiffeisen Zentralbank specializes in commercial banking and investment banking in Austria and is one of the country's most important banks for corporate finance and export and trade financing. Other activities are cash and asset management and treasury. As a highly specialized financial engineer, RZB is primarily oriented toward providing services for major domestic and foreign customers, multinational companies and financial service providers. The RZB companies are also active in private banking, capital investment, leasing and real estate, and other bank-related services. Through its subsidiaries, RZB has a close network of branches throughout Central and Eastern Europe (CEE). Supplementing this, it has branches, special companies and representations in the world's leading financial centres, selected Western European locations and key points in Asia.

The consolidated financial statements were signed by the Management Board on 14 March 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 eight subsidiaries of which three have a reporting date on June 30, two have a reporting date on September 30 and three on October 31. Therefore they are accounted for on the basis of interim financial statements. All other subsidiaries 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 RZB'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	13,224
Income taxes	(3,306)
Profit after tax	9,918
Profit attributable to non-controlling interests	(927)
Consolidated profit	8,991
Reconciliation to total comprehensive income	
Remeasurements of provisions for retirement benefits and severance payments	(13,224)
Deferred taxes	3,306
Total comprehensive income	**0**

Impact of retrospective application of IAS 19R on the 2012 statement of financial position:

€ 000	2012
Consolidated profit	8,991
Retained earnings	(8,991)

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

€ 000	2013
Income statement	
General administrative expenses	6,938
Income taxes	(1,734)
Profit after tax	5,203
Profit attributable to non-controlling interests	(1,119)
Consolidated profit	4,085
Reconciliation to total comprehensive income	
Remeasurements of provisions for retirement benefits and severance payments	(6,938)
Deferred taxes	1,734
Total comprehensive income	**0**

Impact on the 2013 statement of financial position if IAS 19R had not been applied:

€ 000	2013
Consolidated profit	(4,085)
Retained earnings	4,085

The impact of the application of IAS 19R on earnings per share is € 1.98 per share (2012: € 1.78 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 RZB'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 of Raiffeisen Zentralbank.

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 RZB, 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. RZB 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. RZB does not expect the future application of IFRS 12 to have an 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 of RZB.

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. RZB 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. RZB 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. RZB 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 the consolidated financial statements of Raiffeisen Zentralbank.

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. RZB 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 the consolidated financial statements of Raiffeisen Zentralbank.

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 Raiffeisen Zentralbank'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 Raiffeisen Zentralbank 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 Raiffeisen Zentralbank 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 Raiffeisen Zentralbank, 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 Raiffeisen Zentralbank'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 statement of financial position.

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 Raiffeisen Zentralbank are prepared in Euro which is the functional currency of RZB. 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
Swedish Krona (SEK)	8.859	8.662	8.582	8.701
Turkish Lira (TRY)	2.961	2.551	2.355	2.325
Ukrainian hryvna (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 RZB 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 Raiffeisen Zentralbank on 31 December 2013, as well as the financial statements of subsequent periods.

The average inflation rate in Belarus was 18.9 per cent in the reporting period (2012: 70.7 per cent).

The individual financial statements of RZB 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	Fully consolidated 31/12/2012	Equity method 31/12/2013	Equity method 31/12/2012
As of beginning of period	**341**	**337**	**14**	**14**
Included for the first time in the financial period	40	20	1	0
Merged in the financial period	(6)	(3)	0	0
Excluded in the financial period	(15)	(13)	(6)	0
As of end of period	**360**	**341**	**9**	**14**

Of the 360 entities in the Group, 171 are domiciled in Austria (2012: 173) and 189 abroad (2012: 168). They comprise 31 banks (2012: 23), 200 financial institutions (2012: 187), 32 companies rendering bank-related ancillary services (2012: 27), 17 financial holding companies (2012: 16) and 80 other companies (2012: 88). Because of their minor importance in giving a view of the Group's assets, financial and earnings position 339 subsidiaries were not included in the consolidated financial statements

(2012: 325) verzichtet. 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, associated companies valued at equity and other equity participations may be found under note (60) List of fully consolidated companies and under note (61) List of equity particpations.

Included units

Name	Share	Included as of	Reason
Banks			
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	51.0%	28/12	Purchase
Raiffeisen stambena stedionica d.d., Zagreb (HR)	51.0%	28/12	Purchase
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	43.1%	28/12	Purchase
Raiffeisen Factor Bank AG, Vienna (AT)	100.0%	24/12	Purchase
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	100.0%	24/12	Purchase
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	51.8%	28/12	Purchase
Raiffeisen Vermögensverwaltungsbank AG, Vienna (AT)	100.0%	24/12	Purchase
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	100.0%	24/12	Purchase
Financial institutions			
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	55.7%	31/12	Materiality
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	55.7%	31/12	Materiality
DAV Holding Ltd., Budapest (HU)	78.8%	1/6	Materiality
Floreasca City Center Verwaltung Kft., Budapest (HU)	78.8%	1/1	Start of operations
PERSES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	55.7%	31/12	Materiality
NOC Ltd., Budapest (HU)	39.4%	30/6	Materiality
SCTF Szentendre Kft., Budapest (HU)	39.4%	1/6	Materiality
SCTJ Real Estate Development Kft., Budapest (HU)	78.8%	1/6	Materiality
A-Leasing SpA, Treviso (IT)	100.0%	1/5	Purchase
A-Real Estate S.p.A., Bozen (IT)	100.0%	1/5	Purchase
A-Leasing Finance S.r.l. (IT)	0.0%	1/5	Materiality
RL Retail Holding GmbH, Vienna (AT)	100.0%	1/5	Materiality
RL-ALPHA Holding GmbH, Wien (AT)	100.0%	30/9	Materiality
DANAE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	30/9	Materiality
INPROX Split d.o.o., Zagreb (HR)	100.0%	30/9	Materiality
LYSSA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	30/9	Materiality
Hotel Maria Prag Besitz s.r.o., Prague (CZ)	100.0%	30/9	Materiality
Rent Impex, s.r.o., Bratislava (SK)	100.0%	30/9	Materiality
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	100.0%	30/9	Materiality
RL-BETA Holding GmbH, Vienna (AT)	100.0%	30/9	Materiality
Achat Immobilienleasing GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	1.0%	31/12	Materiality
Raiffeisen Burgenland Leasing GmbH, Eisenstadt (AT)	100.0%	31/12	Materiality
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	51.0%	31/12	Purchase
Raiffeisen Factor Holding GmbH, Vienna (AT)	100.0%	31/12	Purchase
Raiffeisen International Fund Advisory G.m.b.H., Vienna (AT)	100.0%	31/12	Purchase
Companies rendering bank-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)	78.8%	1/5	Materiality
Raiffeisen Ingatlan Vagyonkezelö Kft., Budapest (HU)	78.8%	1/6	Materiality
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	78.8%	31/1	Materiality
Konevova s.r.o., Prague (CZ)	51.8%	27/12	Purchase

Business combinations

In order to strengthen and assure the position of Raiffeisen Bankengruppe Österreich as number one Raiffeisen Zentralbank initiated a project for the optimization of processes and structures. The first step in the optimization of structures was the merger of business areas of Raiffeisen Zentralbank and Raiffeisen International to RBI as of end 2010. The improvement in structure and steering continued with the acquisition of shares of A-Leasing SpA, Treviso (ALEASS-Group) including the related A-Real Estate S.p.A., Bozen (AREALE), Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (RBSPK), Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (RKAG), Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (RWBB), and Raiffeisen Factor Bank AG, Vienna (RFACTR), in 2013. Therefore these subsidiaries were firstly integrated into RZB Group in 2013. Before that A-Leasing SpA, A-Real Estate S.p.A., Raiffeisen Bausparkasse Gesellschaft m.b.H., Raiffeisen Kapitalanlage-Gesellschaft m.b.H and Raiffeisen Wohnbaubank Aktiengesellschaft were valued at equity in RZB Group. Details to closing date and date of first time consolidation, the assets and liabilities recognized as well as the consideration transferred and the liquidity impact are shown in the following tables.

Group unit	ALEAS-Group	RBSPK-Group	RKAG-Group	RFACTOR-Group	RWBB
Closing date	30/4/2013	27/12/2013	23/12/2013	23/12/2013	23/12/2013
In current year acquired shares	51.0%	14.0%	50.0%	60.0%	75.0%
Total part	100.0%	51.0%	100.0%	100.0%	100.0%
Date of first consolidation	1/5/2013	28/12/2013	24/12/2013	24/12/2013	24/12/2013

€ 000	ALEAS-Group	RBSPK-Group	RKAG-Group	RFACTOR-Group	RWBB
Cash reserve	1	54,408	1	2	0
Loans and advances to banks	57,172	781,417	55,842	7,072	2,069,717
Loans and advances to customers (less impairment losses)	547,897	7,624,314	0	96,744	0
Financial investments	0	2,472,650	58,225	1	0
Intangible fixed assets	328	12,227	3,208	103	0
Tangible fixed assets	260	14,278	2,153	60	0
Other assets	69,184	157,954	7,345	689	2,574
Assets	**674,841**	**11,117,248**	**126,773**	**104,672**	**2,072,291**
Deposits from banks	473,280	1,142,047	0	70,880	0
Deposits from customers	141,793	9,099,178	18,830	0	0
Debt securities issued	0	0	0	0	2,071,389
Provisions for liabilities and charges	35,902	56,845	27,814	766	65
Trading liabilities	0	0	0	0	0
Other liabilities	4,715	214,681	24,287	18,523	0
Subordinated capital	0	105,112	0	0	0
Total identifiable net assets	**19,152**	**499,384**	**55,841**	**14,503**	**837**
Non-controlling interests	0	258,604	0	0	0
Net assets after non-controlling interests	**19,152**	**240,780**	**55,841**	**14,503**	**837**
Total consideration transferred	0	71,134	54,785	2,085	4,842
Fair value of previously held equity interest	0	187,997	54,785	0	1,614
Previously acquired other investments	0	0	0	11,425	0
Goodwill/Badwill	**(19,152)**	**18,351**	**53,728**	**(993)**	**5,619**

€ 000	ALEAS-Group	RBSPK-Group	RKAG-Group	RFACTOR-Group	RWBB
Cost of aquisition	0	71,134	54,785	2,085	4,842
Liquid funds	0	54,408	1	2	0
Cash flow for the acquisition of shares	**0**	**(16,726)**	**(54,784)**	**(2,083)**	**(4,842)**

Positive differences resulting from business combinations are capitalized as goodwill. Negative differences of € 20,145 thousand are recognized immediately in profit. Subsequently to initial consolidation companies valued at equity were remeasured. This resulted in a positive result of € 57,669 thousand shown under net income from financial investments.

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). RZB Kreditkartenbeteiligung GmbH, Vienna (AT), and LUSCINIA Handels- und Beteiligungs-GmbH, Vienna (AT), were merged into Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT), retrospectively as of 31 December 2012. UQ Beteiligung GmbH, Vienna (AT), was merged into UQ Assekuranz Holding GmbH, Vienna (AT), as of 30 November 2013. LITAI Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT), and Scheimpfluggasse drei Bauprojektentwicklungs GmbH, Vienna (AT), were merged into Raiffeisen Windpark GmbH, Vienna (AT), retrospectively as of 1 January 2013.

Excluded units

Name	Share	Excluded as of	Reason
Financial institutions			
NOC Ltd., Budapest (HU)	39.4%	30/11	Immaterial
Perseus Property, s.r.o., Prague (CZ)	59.1%	31/5	Sale
Raiffeisen Investment (Malta) Limited, Sliema (MT)	78.6%	1/1	Liquidation
RLRE Alpha Property s.r.o., Prague (CZ)	59.1%	31/10	End of operations
ROOF Consumer Romania 2008 – 1 B.V., Amsterdam (NL)	0.0%	28/2	Immaterial
ALBA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50,0%	30/6	Immaterial
Hainburger Straße 15 ProjektentwicklungsgmbH, Vienna (AT)	100.0%	31/10	Sale
MANDRIA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	100.0%	31/10	End of operations
PYGRA Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	100.0%	31/10	End of operations
Comanies rendering bank-related ancillary services			
EFG Poldystrybucja SP. Z.o.o., Warsaw (PL)	78.8%	1/1	Immaterial
Security firm			
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Luxembourg (LU)	78.8%	1/1	Immaterial
Other companies			
Abalone Immobilienleasing GmbH, Eschborn (DE)	51.0%	30/6	Sale
LE PALAIS Holding S.a.r.l, Luxembourg (LU)	100.0%	31/10	Sale
Prozna Investment Sp. Z.o.o, Warsaw (PL)	100.0%	31/10	Sale
Prozna Properties Sp. Z.o.o., Warsaw (PL)	100.0%	31/10	Sale

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

€ 000	JULIUS	POLDYS	PALAIS	Others	Total
Assets	22,305	7,660	5,635	100,013	135,613
Liabilities	193	139	6,189	94,451	100,972
Total identifiable net assets	**22,112**	**7,521**	**(553)**	**5,561**	**34,641**
Non-controlling interests	0	0	0	97	97
Net assets after non-controlling interests	**22,112**	**7,521**	**(553)**	**5,464**	**34,545**
Goodwill	0	360	0	0	360
Selling price	17,427	6,068	1,500	5,984	30,978
Net income from disposal of group assets	**(4,686)**	**(1,814)**	**2,053**	**519**	**(3,927)**

JULIUS: Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Luxembourg (LU)
POLDYS: EFG Poldystrybucja SP. Z.o.o., Warsaw (PL)
PALAIS: LE PALAIS Holding S.a.r.l, Luxembourg (LU)

The liquidity effect of the sold Group units amounted to € 7,460 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. RZB 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 RZB 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, RZB 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 RZB-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, RZB 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	Measurement Fair Value	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 RZB 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 Raiffeisen Zentralbank 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 hard core tier 1 ratio of RZB,
- 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 RZB 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

Raiffeisen Zentralbank Österreich Aktiengesellschaft is the parent company of a tax group comprising 19 fully consolidated subsidiaries and 11 subsidiaries which are not fully consolidated. 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 (53) 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	**285,832**	**510,363**
Financial assets and liabilities at fair value through profit or loss	**413,864**	**246,228**
Interest income	366,625	404,513
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	47,239	(158,285)
Financial assets available-for-sale	**56,849**	**148,974**
Interest income	22,724	22,152
Net realized gains (losses) on financial assets available-for-sale	58,343	185,897
Impairment on financial assets available-for-sale	(24,217)	(59,074)
Loans and advances	**3,977,351**	**4,519,214**
Interest income	5,177,207	5,549,904
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	14,196	8,894
Impairment on financial assets not measured at fair value through profit and loss	(1,214,052)	(1,039,584)
Financial assets held-to-maturity	**189,371**	**226,212**
Interest income	186,488	225,324
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	**(2,386,637)**	**(2,961,564)**
Interest expenses	(2,386,299)	(3,071,364)
Income from repurchase of liabilities	(338)	109,801
Derivatives (hedging)	**66,431**	**8,392**
Net interest income	69,624	(190)
Net gains (losses) from hedge accounting	(3,193)	8,582
Net revaluations from exchange differences	**96,986**	**105,219**
Other operating income/expenses[1]	**(1,651,065)**	**(1,885,285)**
Profit before tax from continuing operations	**1,048,983**	**917,754**

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	**6,150,839**	**6,562,222**
Interest income	6,102,413	6,504,367
from balances at central banks	43,002	82,372
from loans and advances to banks	214,974	267,005
from loans and advances to customers	4,661,137	4,908,919
from financial investments	550,437	623,913
from leasing claims	235,068	263,974
from derivative financial instruments (non-trading), net	397,794	358,184
Current income	25,400	28,076
from shares and other variable-yield securities	2,676	5,924
from shares in affiliated companies	11,560	10,269
from other interests	11,164	11,883
Interest-like income	23,026	29,778
Current income from associates	**166,518**	**42,051**
Interest expenses and interest-like expenses, total	**(2,386,299)**	**(3,073,505)**
Interest expenses	(2,323,833)	(3,029,844)
on deposits from central banks	(2,815)	(2,141)
on deposits from banks	(449,752)	(720,146)
on deposits from customers	(1,312,283)	(1,639,583)
on debt securities issued	(367,420)	(454,488)
on subordinated capital	(191,564)	(213,486)
Interest-like expenses	(62,465)	(43,661)
Total	**3,931,058**	**3,530,767**

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 209,705 thousand (2012: € 205,521 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	**(1,263,027)**	**(1,203,681)**
Allocation to provisions for impairment losses	(1,961,796)	(1,687,723)
Release of provisions for impairment losses	761,873	573,940
Direct write-downs	(141,039)	(169,617)
Income received on written-down claims	77,935	79,720
Portfolio-based loan loss provisions	**48,975**	**164,103**
Allocation to provisions for impairment losses	(331,159)	(361,008)
Release of provisions for impairment losses	380,134	525,111
Gains from the sales of loans	**14,196**	**8,894**
Total	**(1,199,856)**	**(1,030,683)**

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	731,363	662,788
Loan and guarantee business	253,356	251,344
Securities business	148,279	118,164
Foreign currency, notes/coins, and precious metals business	354,376	348,512
Management of investment and pension funds	26,887	22,751
Sale of own and third party products	42,135	45,415
Credit derivatives business	(69)	(16)
Other banking services	73,807	72,210
Total	**1,630,134**	**1,521,168**

(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	38,748	15,901
Currency-based transactions	259,966	208,385
Equity-/index-based transactions	29,419	8,839
Credit derivatives business	(6,375)	(12,748)
Other transactions	953	(24,706)
Total	**322,711**	**195,671**

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	(268,188)	54,674
Net income from liabilities designated at fair value	21,293	(311,813)
Income from repurchase of liabilities	(338)	109,801
Total	**(250,301)**	**(131,894)**

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	**34,114**	**(8,153)**
Net valuations of equity participations	(24,217)	(31,004)
Net proceeds from sales of equity participations	58,332	22,852
Net income from associates	**87,435**	**(69,400)**
Net valuations of associates	57,669	(69,400)
Net proceeds from associates	29,766	0
Net income from securities at fair value through profit and loss	**25,946**	**153,522**
Net valuations of securities	7,049	71,764
Net proceeds from sales of securities	18,897	81,758
Net income from available-for-sale securities	**11**	**163,045**
Total	150,389	239,902

In 2012, the sale of bonds of the securities portfolio available-for-sale of RBI AG led to net proceeds of € 163,045 thousand. Positive net valuations of associates resulted from appreciation of the shares to the fair value (according to IFRS 3.42) on the occasion of first consolidation of these entities. Additionally, in the course of UNIQA Insurance Group AG's capital increase and the related dilution of shares there was a release of equity changes from companies valued at equity.

(8) General administrative expenses

€ 000	2013	2012
Staff expenses	**(1,694,706)**	**(1,649,901)**
Wages and salaries[1]	(1,288,133)	(1,239,143)
Social security costs and staff-related taxes	(312,824)	(301,265)
Other voluntary social expenses	(42,883)	(42,013)
Expenses for defined contribution pension plans	(17,378)	(13,529)
Expenses for defined benefit pension plans	1,357	(7,512)
Expenses for other post-employment benefits	(10,256)	(16,342)
Expenses for other long-term employee benefits	(3,790)	(1,180)
Termination benefits	(2,140)	0
Expenses on share incentive program (SIP)	(3,535)	(7,393)
Deferred bonus payments	(15,123)	(21,524)
Other administrative expenses	**(1,299,593)**	**(1,265,190)**
Office space expenses	(347,224)	(351,803)
IT expenses	(272,325)	(261,096)
Communication expenses	(81,210)	(89,412)
Legal, advisory and consulting expenses	(126,416)	(124,133)
Advertising, PR and promotional expenses	(123,301)	(103,931)
Deposit insurance fees	(95,769)	(93,216)
Office supplies	(34,051)	(29,896)
Car expenses	(22,200)	(22,599)
Security expenses	(43,022)	(46,572)
Traveling expenses	(24,918)	(24,472)
Training expenses for staff	(20,114)	(16,423)
Sundry administrative expenses	(109,043)	(101,638)
Depreciation of intangible and tangible fixed assets	**(465,407)**	**(425,059)**
Tangible fixed assets	(196,177)	(204,062)
Intangible fixed assets	(221,095)	(180,916)
Leased assets (operating lease)	(48,135)	(40,082)
Total	**(3,459,706)**	**(3,340,150)**

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

Legal, advisory and consulting expenses include audit fees of Raiffeisen Zentralbank and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 10,536 thousand (2012: € 9,577 thousand) and tax advisory as well as other additional consulting services amounting to € 5,524 thousand (2012: € 5,070 thousand). Thereof, € 2,925 thousand (2012: € 2,777 thousand) account for the Group auditor for the audit of the financial statements and € 1,478 thousand (2012: € 2,009 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 € 81,274 thousand (2012: € 39,359 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	65,044	91,385
Sales revenues from non-banking activities	678,786	871,567
Expenses arising from non-banking activities	(613,743)	(780,182)
Net income from additional leasing services	(2,705)	6,612
Revenues from additional leasing services	80,980	90,469
Expenses from additional leasing services	(83,685)	(83,857)
Rental income from operating lease (vehicles and equipment)	40,591	40,921
Rental income from investment property incl. operating lease (real estate)	32,370	20,846
Net proceeds from disposal/write-ups of tangible and intangible fixed assets	(14,960)	(4,607)
Other taxes	(276,655)	(202,254)
hereof bank levies and financial transaction tax	(206,849)	(166,881)
Impairment of goodwill	(3,171)	(38,463)
Income from release of negative goodwill	20,392	0
Net expense from allocation and release of other provisions	3,858	(9,495)
Negative interest	(33)	0
Sundry operating income	115,631	74,956
Sundry operating expenses	(51,881)	(59,072)
Total	**(71,520)**	**(79,171)**

The other net operating income includes impairment of goodwill amounting to € 3,171 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, four subsidiaries were excluded from the consolidated Group due to materiality reasons. Moreover, three subsidiaries were excluded due to end of operations, one subsidiary was excluded due to liquidation and six subsidiaries were excluded due to sale. Net income from this disposal Group assets amounted to minus € 3,927 thousand (2012: plus € 12,144 thousand).

(11) Income taxes

€ 000	2013	2012
Current income taxes	(308,934)	(265,062)
Austria	(24,816)	(16,525)
Foreign	(284,118)	(248,537)
Deferred taxes[1]	15,483	(11,886)
Total	**(293,451)**	**(276,948)**

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

Raiffeisen Zentralbank Österreich Aktiengesellschaft is the parent company of a tax group comprising 15 subsidiaries and 10 affiliated companies. This makes it possible to attribute the negative tax result of group members to the tax result of the parent company.

The following reconciliation shows the relation between profit before tax and the effective tax burden:

€ 000	2013	2012
Profit before tax	**1,048,983**	**917,754**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(262,246)**	**(226,132)**
Effect of divergent foreign tax rates	110,226	60,555
Tax decrease because of tax-exempted income from equity participations and other income	53,032	61,651
Tax increase because of non-deductible expenses	(103,457)	(103,907)
Other changes[1]	(91,005)	(69,114)
Effective tax burden[1]	**(293,451)**	**(276,948)**
Tax rate in per cent[1]	**27.97%**	**30.18%**

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.

(12) Earnings per share

€ 000	2013	2012
Consolidated profit	422,107	370,417
Adapted consolidated profit	**422,107**	**370,417**
Average number of ordinary shares outstanding	6,776,750	6,301,033
Earnings per share in €[1]	**62.29**	**58.79**

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

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	**8,246,471**	**12,157,356**
Trading assets	**7,956,023**	**10,476,365**
Positive fair values of derivative financial instruments	3,605,274	7,479,269
Shares and other variable-yield securities	407,525	277,250
Bonds, notes and other fixed-interest securities	3,943,224	2,719,843
Call/time deposits from trading purposes	0	2
Financial assets at fair value through profit or loss	**6,735,684**	**8,383,567**
Shares and other variable-yield securities	437,149	166,048
Bonds, notes and other fixed-interest securities	6,298,535	8,217,519
Investments in associates	**1,601,343**	**1,719,743**
Financial assets available-for-sale	**4,417,772**	**946,467**
Investments in other affiliated companies	466,529	484,736
Other interests	181,939	211,732
Bonds, notes and other fixed-interest securities	3,517,724	0
Shares and other variable-yield securities	251,580	250,000
Loans and advances	**109,293,205**	**103,593,812**
Loans and advances to banks	22,650,421	21,430,227
Loans and advances to customers	90,594,260	85,554,759
Other non-derivative financial assets	2,038,305	2,324,056
Impairment losses on loans and advances	(5,989,781)	(5,715,230)
Financial assets held-to-maturity	**5,220,348**	**4,682,742**
Bonds, notes and other fixed-interest securities	5,220,348	4,637,545
Purchased loans	0	45,197
Derivatives (hedging)	**573,004**	**701,663**
Positive fair values of derivatives (hedging)	573,004	701,663
Other assets	**3,280,240**	**3,293,285**
Intangible and tangible fixed assets	3,280,240	3,293,285
Total assets	**147,324,090**	**145,955,000**

Equity and liabilities according to measurement categories in € 000	2013	2012
Trading liabilities	**5,391,688**	**9,192,554**
Negative fair values of derivative financial instruments	4,230,082	7,815,366
Call/time deposits from trading purposes	0	10,045
Short-selling of trading assets	551,459	622,164
Certificates issued	610,147	744,980
Financial liabilities	**126,451,947**	**120,264,959**
Deposits from banks	33,732,544	38,409,769
Deposits from customers	75,660,310	66,439,464
Debt securities issued	11,330,600	10,826,773
Subordinated capital	3,689,973	3,005,122
Other non-derivative financial liabilities	2,038,520	1,583,831
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	**947,527**	**848,077**
Equity	**11,788,116**	**12,171,718**
Total equity and liabilities	**147,324,090**	**145,955,000**

(14) Cash reserve

€ 000	2013	2012
Cash in hand	2,508,837	2,284,455
Balances at central banks	5,737,634	9,872,901
Total	**8,246,471**	**12,157,356**

(15) Loans and advances to banks

€ 000	2013	2012
Giro and clearing business	2,386,756	1,758,491
Money market business	17,115,844	17,039,722
Loans to banks	2,671,733	2,066,801
Purchased loans	192,588	157,205
Leasing claims	47,916	52,946
Claims evidenced by paper	235,584	355,317
Total	**22,650,421**	**21,430,482**

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	8,616,956	9,150,760
Foreign	14,033,465	12,279,722
Total	**22,650,421**	**21,430,482**

(16) Loans and advances to customers

€ 000	2013	2012
Credit business	52,970,814	53,629,092
Money market business	5,001,586	5,078,005
Mortgage loans	25,483,881	21,018,084
Purchased loans	1,469,007	1,104,885
Leasing claims	4,854,624	4,297,470
Claims evidenced by paper	814,347	472,165
Total	**90,594,260**	**85,599,701**

Purchased loans amounting to € 1,469,007 thousand (2012: € 1,059,944 thousand) are assigned to the measurement category loans and advances. There were no purchased loans classified as held-to-maturity (2012: € 44,941 thousand).

The incease of mortgage loans is due to the majority takeover of specialized subsidiaries, in particular Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna.

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

€ 000	2013	2012
Sovereigns	1,806,218	1,481,801
Corporate customers – large corporates	51,782,434	53,730,321
Corporate customers – mid market	3,741,881	3,529,060
Retail customers – private individuals	30,123,011	23,506,851
Retail customers – small and medium-sized entities	2,910,619	3,050,547
Other	230,097	301,121
Total	**90,594,260**	**85,599,701**

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

€ 000	2013	2012
Austria	14,190,378	9,395,984
Foreign	76,403,882	76,203,717
Total	**90,594,260**	**85,599,701**

(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 – note (42) Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

€ 000	2013	2012
Banks	118,144	157,719
Sovereigns	6,287	11,336
Corporate customers – large corporates	3,074,938	2,889,622
Corporate customers – mid market	630,883	405,933
Retail customers – private individuals	1,823,111	1,882,112
Retail customers – small and medium-sized entities	336,418	368,508
Total	**5,989,781**	**5,715,230**

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

2013 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	22,500,344	22,650,421	148,678	111,447	6,697	22,532,277
Sovereigns	1,661,767	1,806,218	27,929	5,118	1,169	1,799,931
Corporate customers – large corporates	47,558,963	51,992,312	5,118,595	2,792,344	282,593	48,917,374
Corporate customers – mid market	3,163,591	3,741,881	717,703	591,725	39,158	3,110,998
Retail customers – private individuals	29,037,105	30,143,230	2,420,105	1,659,143	163,969	28,320,119
Retail customers – small and medium-sized entities	2,606,492	2,910,619	462,536	309,814	26,604	2,574,201
Total	**106,528,262**	**113,244,681**	**8,895,546**	**5,469,591**	**520,190**	**107,254,900**

2012 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	21,287,238	21,430,482	200,037	145,805	11,914	21,272,763
Sovereigns	1,332,769	1,481,801	56,692	11,336	0	1,470,465
Corporate customers – large corporates	51,184,598	54,031,441	4,479,311	2,594,120	295,502	51,141,819
Corporate customers – mid market	3,158,079	3,529,060	621,860	380,363	25,570	3,123,128
Retail customers – private individuals	21,984,799	23,506,851	2,182,116	1,420,916	461,196	21,624,739
Retail customers – small and medium-sized entities	2,771,746	3,050,547	421,115	259,700	108,808	2,682,039
Total	**101,719,228**	**107,030,183**	**7,961,132**	**4,812,240**	**902,990**	**101,314,953**

Impaired financial assets

2013			Impairments and collaterals		
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	148,678	111,447	37,231	25,283	228
Sovereigns	27,929	5,118	22,811	22,380	1,721
Corporate customers – large corporates	5,118,595	2,792,344	2,326,250	1,486,443	103,479
Corporate customers – mid market	717,703	591,725	125,978	313,446	21,602
Retail customers – private individuals	2,420,105	1,659,143	760,962	592,226	74,846
Retail customers – small and medium-sized entities	462,536	309,814	152,722	65,181	7,831
Total	**8,895,546**	**5,469,591**	**3,425,955**	**2,504,958**	**209,705**

ILLP: individual loan loss provisions

2012			Impairments and collaterals		
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	200,037	145,805	54,232	154	160
Sovereigns	56,692	11,336	45,356	0	3,077
Corporate customers – large corporates	4,479,311	2,594,120	1,885,191	1,156,269	110,394
Corporate customers – mid market	621,860	380,363	241,497	219,961	20,280
Retail customers – private individuals	2,182,116	1,420,916	761,200	678,392	63,779
Retail customers – small and medium-sized entities	421,115	259,700	161,416	184,326	7,831
Total	**7,961,132**	**4,812,240**	**3,148,892**	**2,239,102**	**205,521**

ILLP: individual loan loss provisions

(18) Trading assets

€ 000	2013	2012
Bonds, notes and other fixed-interest securities	**3,943,224**	**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	2,015,996	906,378
Shares and other variable-yield securities	**407,525**	**277,250**
Shares	382,840	255,635
Mutual funds	21,163	7,333
Other variable-yield securities	3,523	14,282
Positive fair values of derivative financial instruments	**3,184,304**	**6,776,709**
Interest-based transactions	2,526,718	5,963,982
Currency-based transactions	577,646	687,458
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	**7,535,053**	**9,773,805**

Pledged securities ready to be sold or repledged by transferee are allocated to the appropriate securities category. 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
Currency-based transactions	0	0
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**	**0**
Currency-based transactions	23,101	0
Positive fair values of credit derivatives	**51**	**1,206**
Positive fair values of other derivatives	**420,919**	**701,354**
Interest-based transactions	281,268	547,207
Currency-based transactions	139,651	153,987
Equity-/index-based transactions	0	0
Other transactions	0	160
Total	**993,974**	**1,404,223**

1 Adaption 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	**15,036,608**	**12,855,064**
Treasury bills and bills of public authorities eligible for refinancing	8,902,031	6,493,567
Other securities issued by the public sector	3,311,955	3,923,146
Bonds and notes of non-public issuers	2,799,851	2,418,018
Money market instruments	0	0
Other	22,770	20,333
Shares and other variable-yield securities	**688,729**	**416,048**
Shares	28,902	30,959
Mutual funds	398,717	124,911
Other variable-yield securities	261,110	260,179
Equity participations	**648,468**	**696,468**
Interest in affiliated companies	466,529	484,736
Other interests	181,939	211,732
Total	**16,373,805**	**13,967,580**

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 € 121,732 thousand (2012: € 104,260 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	1,628,591	1,719,743
hereof goodwill	313,765	300,742

Financial information on associated companies is as follows:

€ 000	Total assets	Total revenues	Profit/Loss after tax	Shareholders´ equity
card complete Service Bank AG, Vienna (AT)	571,433	72,648	15,515	17,047
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)[1]	1,318,795	1,135,618	48,848	472,939
NOTARTREUHANDBANK AG, Vienna (AT)	1,469,607	15,509	7,290	27,086
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	1,068,626	6,771	2,448	28,863
Österreichische Kontrollbank AG, Vienna (AT)	32,767,934	161,202	82,720	680,217
Prva stavebna sporitelna a.s., Bratislava (SK)	2,414,280	95,133	25,421	245,479
Raiffeisen evolution project development GmbH, Vienna (AT)[1]	467,801	132,193	(3,929)	138,837
Raiffeisen Informatik GmbH, Vienna (AT)	857,400	1,861,400	14,237	86,854
UNIQA Insurance Group AG, Vienna (AT)[2]	31,054,100	305,600	286,800	2,789,900

1 Consolidated financial statements: profit and equity is before deduction of non controlling interests.
2 Consolidated figures 2012, because Uniqa is a listed company and has not yet published consolidated financial statements of 2013. Fair value of the shares held and based on stock exchange price as of 31 December 2012 amounted to € 902,575 thousand (2012: € 943,786 thousand).

The item investments in associates decreased by € 91,152 thousand to € 1,628,591 thousand especially due to shifts in the share structure based on acquisition of a majority interest and subsequent full consolidation of A-Leasing SpA, Treviso (ALEASS), A-Real Estate S.p.A., Bolzano (AREALE), Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (RBSPK), Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (RKAG), Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (RWBB) and Raiffeisen Factor Bank AG, Vienna (RFACTR). Additonally, there was a valuation adjustment of available-for-sale securities and a capital increase of a company valued at equity.

Further information regarding associated companies is stated under note (61) List of equity participations.

(22) Intangible fixed assets

€ 000	2013	2012
Goodwill	626,782	559,021
Software	559,822	565,857
Other intangible fixed assets	163,392	201,889
hereof brand	111,447	118,999
hereof customer base	35,280	41,609
Total	**1,349,996**	**1,326,768**

The item "software" comprises acquired software amounting to € 472,299 thousand (2012: € 486,203 thousand) and developed software amounting to € 87,523 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 € 000	AVAL	RBAL	RBCZ	RBPL	RBRU	RKAG	Other	Total
As of 1/1	**0**	**50,850**	**40,700**	**175,052**	**266,325**	**0**	**26,094**	**559,021**
Additions	0	0	0	25,600	0	53,728	25,143	104,471
Impairment	0	0	0	0	0	0	(3,171)	(3,171)
Exchange rate changes	0	(221)	(3,377)	(2,329)	(29,351)	0	1,739	(33,539)
As of 31/12	**0**	**50,628**	**37,323**	**198,323**	**236,974**	**53,728**	**49,806**	**626,782**
Gross amount	226,079	56,404	37,323	198,323	236,974	53,728	80,569	889,400
Cumulative impairment	(226,079)	(5,775)	0	0	0	0	(30,764)	(262,618)

2012 € 000	AVAL	RBAL	RBCZ	RBPL	RBRU	RKAG	Other	Total
As of 1/1	**29,138**	**52,650**	**39,697**	**0**	**257,171**	**0**	**31,938**	**410,593**
Additions	0	0	0	174,170	0	0	2,939	177,109
Impairment	(28,476)	0	0	0	0	0	(9,986)	(38,463)
Exchange rate changes	(661)	(1,801)	1,004	882	9,154	0	1,204	9,783
As of 31/12	**0**	**50,850**	**40,700**	**175,052**	**266,325**	**0**	**26,094**	**559,021**
Gross amount	236,899	56,650	40,700	175,052	266,325	0	57,001	832,627
Cumulative impairment	(236,899)	(5,800)	0	0	0	0	(30,907)	(273,606)

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 € 3,171 thousand was mainly 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 RZB 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 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, RZB determined the recoverable value on the basis of the net realizable value (fair value less costs of disposal); using the following parameters:

2012 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).

2013 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 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.

At RZB, 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 € 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 € 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 brand of 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 € 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 € 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	845,169	849,649
Other land and buildings (investment property)	240,329	185,518
Office furniture, equipment and other tangible fixed assets	458,618	491,043
Leased assets (operating lease)	386,128	440,306
Total	**1,930,244**	**1,966,517**

The fair value of investment property totaled € 242,213 thousand (2012: € 187,225 thousand).

(24) Development of fixed assets

€ 000	As of 1/1/2013	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2013
	Cost of acquisition or conversion						
Intangible fixed assets	**2,476,223**	**104,118**	**(90,589)**	**225,220**	**(103,864)**	**(116)**	**2,610,992**
Goodwill	832,627	77,666	(47,815)	26,773	0	0	889,252
Software	1,359,373	24,901	(34,113)	193,651	(103,234)	59,205	1,499,784
Other intangible fixed assets	284,223	1,551	(8,661)	4,796	(630)	(59,321)	221,957
Tangible fixed assets	**3,355,233**	**111,207**	**(115,469)**	**263,664**	**(199,809)**	**116**	**3,414,942**
Land and buildings used by the Group for own purpose	1,184,601	29,784	(40,759)	48,953	(24,043)	5,869	1,204,404
Other land and buildings	216,902	72,725	(14,397)	25,721	(4,204)	(16,472)	280,275
of which land value of developed land	13,729	0	(258)	161	0	0	13,632
Other tangible fixed assets	1,399,083	8,698	(48,720)	140,003	(85,241)	84	1,413,907
Leased assets (operating lease)	554,648	0	(11,593)	48,987	(86,321)	10,635	516,356
Total	**5,831,457**	**215,325**	**(206,058)**	**488,884**	**(303,673)**	**0**	**6,025,934**

€ 000	Write-ups, amortization, depreciation, impairment Cumulative	hereof write-ups	of which depreciation	Carrying amount 31/12/2013
Intangible fixed assets	**(1,260,997)**	**154**	**(224,266)**	**1,349,996**
Goodwill	(262,469)	0	(3,171)	626,782
Software	(939,962)	154	(214,407)	559,822
Other intangible fixed assets	(58,566)	0	(6,688)	163,392
Tangible fixed assets	**(1,484,698)**	**13,856**	**(244,312)**	**1,930,244**
Land and buildings used by the Group for own purpose	(359,235)	1,421	(48,148)	845,169
Other land and buildings	(39,945)	2,608	(5,596)	240,329
of which land value of developed land	(13,632)	0	0	0
Other tangible fixed assets	(955,289)	9,828	(142,433)	458,618
Leased assets (operating lease)	(130,228)	0	(48,135)	386,128
Total	**(2,745,694)**	**14,010**	**(468,579)**	**3,280,240**

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

€ 000	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2012
	Cost of acquisition or conversion						
Intangible fixed assets	**2,034,849**	**284,657**	**23,434**	**201,531**	**(68,278)**	**30**	**2,476,223**
Goodwill	650,525	177,109	4,993	0	0	0	832,627
Software	1,183,759	41,175	18,838	183,102	(67,480)	(21)	1,359,373
Other intangible fixed assets	200,565	66,373	(397)	18,429	(798)	51	284,223
Tangible fixed assets	**3,108,349**	**109,010**	**25,144**	**363,460**	**(250,699)**	**(30)**	**3,355,233**
Land and buildings used by the Group for own purpose	1,024,858	38,154	8,413	147,598	(31,821)	(2,602)	1,184,601
Other land and buildings	182,257	1	704	8,181	(1,874)	27,632	216,902
of which land value of developed land	13,982	0	(253)	0	0	0	13,729
Other tangible fixed assets	1,355,599	42,781	15,012	131,286	(144,386)	(1,209)	1,399,083
Leased assets (operating lease)	545,634	28,074	1,014	76,395	(72,618)	(23,851)	554,648
Total	**5,143,198**	**393,667**	**48,578**	**564,991**	**(318,977)**	**0**	**5,831,457**

€ 000	Write-ups, amortization, depreciation, impairment Cumulative	hereof write-ups	of which depreciation	Carrying amount 31/12/2012
Intangible fixed assets	**(1,149,456)**	**0**	**(219,379)**	**1,326,768**
Goodwill	(273,606)	0	(38,463)	559,021
Software	(793,516)	0	(167,929)	565,857
Other intangible fixed assets	(82,333)	0	(12,987)	201,889
Tangible fixed assets	**(1,388,716)**	**8,467**	**(244,144)**	**1,966,517**
Land and buildings used by the Group for own purpose	(334,951)	0	(47,214)	849,649
Other land and buildings	(31,383)	0	(5,914)	185,518
of which land value of developed land	(6)	0	0	13,723
Other tangible fixed assets	(908,040)	8,282	(150,933)	491,043
Leased assets (operating lease)	(114,342)	185	(40,082)	440,306
Total	**(2,538,172)**	**8,467**	**(463,522)**	**3,293,285**

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	726,652	613,497
Current tax assets	186,944	125,144
Deferred tax assets	539,708	488,352
Receivables arising from non-banking activities	114,819	135,766
Accruals and deferred items	242,864	218,887
Clearing claims from securities and payment transfer business	390,719	553,337
Lease in progress	85,904	62,462
Assets held for sale (IFRS 5)	56,406	65,413
Inventories	172,486	139,329
Valuation fair value hedge portfolio	15,734	11,277
Other assets	232,722	524,087
Total	**2,038,305**	**2,324,056**

Deferred taxes break down as follows:

€ 000	2013	2012
Deferred tax assets	539,708	488,352
Provisions for deferred taxes	(52,660)	(40,734)
Net deferred taxes	**487,048**	**447,618**

The net deferred taxes result from the following items:

€ 000	2013	2012
Loans and advances to customers	135,692	141,989
Impairment losses on loans and advances	174,352	190,979
Tangible and intangible fixed assets	15,332	10,486
Other assets	11,111	9,989
Provisions for liabilities and charges	99,153	48,707
Trading liabilities	13,508	15,379
Other liabilities	70,596	83,969
Tax loss carry-forwards	192,257	220,577
Other items of the statement of financial position	295,613	92,382
Deferred tax assets	**1,007,614**	**814,456**
Loans and advances to banks	45,774	3,126
Loans and advances to customers	55,990	48,688
Impairment losses on loans and advances	68,418	61,598
Trading assets	4,839	20,495
Financial investments	14,122	23,853
Tangible and intangible fixed assets	89,431	99,200
Other assets	43,615	54,024
Deposits from customers	467	756
Provisions for liabilities and charges	28	81
Other liabilities	4,090	21,462
Other items of the statement of financial position	193,792	33,557
Deferred tax liabilities	**520,566**	**366,838**
Net deferred taxes	**487,048**	**447,618**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 192,257 thousand (2012: € 220,577 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 192,612 thousand (2012: € 127,175 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	5,018,807	4,218,738
Money market business	22,255,377	25,801,372
Long-term refinancing	6,458,361	8,389,659
Total	**33,732,544**	**38,409,769**

RZB 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 RZB in the future.

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

€ 000	2013	2012
Austria	20,399,044	21,811,420
Foreign	13,333,500	16,598,349
Total	**33,732,544**	**38,409,769**

(27) Deposits from customers

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

€ 000	2013	2012
Sight deposits	32,498,342	30,189,668
Time deposits	33,933,627	34,003,246
Savings deposits	9,228,342	2,246,550
Total	**75,660,310**	**66,439,464**

€ 000	2013	2012
Sovereigns	828,259	1,078,614
Corporate customers – large corporates	31,535,253	29,214,258
Corporate customers – mid market	2,452,388	2,495,368
Retail customers – private individuals	36,125,970	29,139,762
Retail customers – small and medium-sized entities	4,279,723	3,893,757
Other	438,716	617,705
Total	**75,660,310**	**66,439,464**

The increase of retail customers – private individuals is due to the majority takeover of specialized companies, especially Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna.

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

€ 000	2013	2012
Austria	11,787,815	5,717,850
Foreign	63,872,495	60,721,614
Total	**75,660,310**	**66,439,464**

(28) Debt securities issued

€ 000	2013	2012
Bonds and notes issued	12,965,309	12,767,128
Money market instruments issued	427,950	368,123
Other debt securities issued	58,841	169,156
Total	**13,452,100**	**13,304,407**

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	73,383	17,812	8,167	(300)	(2,860)	(1,285)	94,917
Retirement benefits	83,290	11,441	1,523	(4,951)	(3,710)	18	87,611
Taxes	134,357	24,303	83,333	(25,645)	(75,978)	(5,526)	134,842
Current	93,623	13,062	67,068	(13,823)	(75,861)	(1,887)	82,182
Deferred	40,734	11,241	16,264	(11,823)	(117)	(3,639)	52,660
Contingent liabilities and commitments	153,455	0	86,973	(80,062)	(1,055)	(14,074)	145,238
Pending legal issues	54,244	1,761	12,198	(9,775)	(1,066)	(723)	56,639
Overdue vacation	58,448	2,076	8,929	(5,653)	(37)	(2,026)	61,737
Bonus payments	196,658	9,277	210,734	(24,875)	(139,283)	(9,796)	242,714
Restructuring	15,800	0	219	(2,409)	(4,217)	(561)	8,831
Other	78,442	75,659	101,051	(115,231)	(24,161)	(763)	114,997
Total	**848,077**	**142,329**	**513,126**	**(268,901)**	**(252,368)**	**(34,737)**	**947,527**

Severance and similar payments include provisions for anniversary bonuses and other payments in the amount of € 22,851 thousand (2012: € 16,488 thousand) and obligations from other benefits due to termination of employment according to IAS 19R in the amount of € 72,066 thousand (2012: € 56,895 thousand).

RZB is involved in pending legal issues, which may occur in the banking business. RZB 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 € 56,639 thousnad (2012: € 54,244 thousand). Single cases exceeding € 10,000 thousand occurred in Slovakia and Ukraine.

Pension obligations and other termination benefits

RZB 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 RZB 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).

RZB expects to pay € 1,000 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)	138,152	121,753
Plan assets at fair value	(50,542)	(38,529)
Net liability/asset	87,611	83,224

The defined benefit obligations developed as follows:

€ 000	2013	2012
DBO as of 1/1	**121,753**	**111,079**
Changes in consolidated group	25,027	379
FX differences DBO	0	0
Current service cost	1,934	1,606
Interest cost	4,159	4,811
Past service costs	0	(339)
Payments	(8,509)	(4,829)
Transfer	(443)	0
Remeasurement	(5,769)	9,046
DBO as of 31/12	**138,152**	**121,753**

Plan assets developed as follows:

€ 000	2013	2012
Plan assets at fair value as of 1/1	**38,529**	**36,552**
Changes in consolidated group	13,586	0
FX differences plan asssets	0	0
Interest income	1,341	1,636
Contributions to plan assets	1,351	1,529
Payments from fund	(4,412)	(1,474)
Transfer	(407)	(361)
Return on plan assets excluding interest income	553	647
Plan assets at fair value as of 31/12	**50,542**	**38,529**

The return on plan assets for 2013 was € 2,374 thousand (2012: € 2,284 thousand). For 2013, the fair value of rights to reimbursement recognized as an asset was € 13,829 thousand (2012: € 12,541 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 13.4 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)	(14,420)	17,749
Future salary growth (0.5 per cent change)	1,095	(1,047)
Future pension increase (0.25 per cent change)	3,081	(2,954)
Remaining life expectancy (change 1 year)	6,442	(6,880)

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	**56,895**	**53,979**
Changes in consolidated group	13,179	0
FX differences DBO	0	134
Current service cost	3,555	4,449
Interest cost	1,868	1,505
Payments	(2,786)	(7,997)
Loss/(gain) on DBO due to past service cost	(31)	0
Transfer	0	0
Remeasurement	(615)	4,825
DBO as of 31/12	**72,066**	**56,895**

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)	(7,189)	8,536
Future salary growth (0.5 per cent change)	4,070	(3,770)

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	**3,964,712**	**7,446,216**
Interest-based transactions	2,392,523	5,862,841
Currency-based transactions	589,999	730,980
Equity-/index-based transactions	840,495	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	**610,147**	**744,980**
Call/time deposits from trading purposes	**0**	**10,045**
Total	**5,126,317**	**8,823,404**

(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	**265,091**	**368,297**
Interest-based transactions	228,409	327,727
Currency-based transactions	36,581	40,416
Equity-/index-based transactions	0	5
Other transactions	102	148
Total	**397,907**	**489,083**

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: € 1,245 thousand) relating tot he effective portion of cash flow hedges were recognized in other comprehensive income.

(32) Other liabilities

€ 000	2013	2012
Liabilities from non-banking activities	210,983	141,633
Liabilities from insurance contracts	320,343	196,973
Prepayments and other deferrals	305,491	286,113
Liabilities from dividends	4,242	742
Clearing claims from securities and payment transfer business	579,676	514,941
Valuation fair value hedge portfolio	39,393	47,939
Other liabilities	578,392	395,491
Total	**2,038,520**	**1,583,831**

1 Adaption of previous year figures due to different allocation.

Insurance contracts

RZB 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)
Exchange rate changes	(21,708)	0
Investment return	15,734	10,385
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 RZB 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 RZB 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 RZB's profit before tax resulting from the change in mortality of the insuree:

Change in profit before tax in € 000	2013	2012
Mortality (worsening 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	3,359,071	3,130,911
Supplementary capital	370,265	304,224
Total	**4,180,749**	**3,885,246**

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 € 191,564 thousand (2012: € 213,486 thousand).

(34) Equity

€ 000	2013	2012
Consolidated equity	6,546,199	6,897,913
Subscribed capital	492,467	492,467
Capital reserves	1,834,776	1,834,776
Retained earnings[1]	4,218,957	4,570,671
Consolidated profit[1]	422,107	370,417
Non-controlling interests	4,819,810	4,903,388
Total	**11,788,116**	**12,171,718**

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 Raiffeisen Zentralbank Österreich Aktiengesellschaft (Raiffeisen Zentralbank) as defined by the articles of incorporation amounted to € 492,467 thousand. The subscribed capital consists of 6,776,750 non-par bearer shares.

Dividend proposal

The Management Board intends to propose at the Annual General Meeting that a dividend of € 36.00 per share be distributed from Raiffeisen Zentralbank's profit for the financial year 2013, which represents a maxium distribution of € 243,963 thousand.

Non-controlling interests

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital within the context of § 23 (4) and (5) BWG to a nominal value of € 2,500,000 thousand. The capital is available for the life of the business and cannot be recalled by the participation investor. The first tranche of € 750,000 thousand was paid in on 30 December 2008. The second tranche of € 1,750,000 thousand was paid in on 6 April 2009, and was subscribed in its entirety by the Republic of Austria. The participation certificates were issued at par. The participation certificates carry entitlement to profit of 8 per cent a year of the value of the participation certificates. For the 2014 and 2015 financial years, the participation dividend increases by 50 basis points a year, rising to 75 basis points for 2016 and 100 basis points for each subsequent financial year. The dividend is capped at 12-month EURIBOR plus 1,000 basis points. In the course of the merger of the principal business areas of Raiffeisen Zentralbank with Raiffeisen International Bank-Holding AG, the participation capital was transferred to RBI AG and shown under equity, non-controlling interests.

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 Raiffeisen Zentralbank, 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 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 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	8,246,471	0	0	0	0
Loans and advances to banks	3,349,532	15,435,294	2,110,395	1,037,421	717,780
Loans and advances to customers	7,819,837	14,605,950	13,588,812	30,494,081	24,085,579
Impairment losses on loans and advances	(5,989,781)	0	0	0	0
Trading assets	420,513	1,238,814	1,136,378	2,925,881	1,813,467
Financial investments	1,270,806	4,252,475	2,017,102	7,098,055	1,735,368
Investments in associates	1,601,343	0	0	0	0
Sundry assets	3,993,324	899,617	306,484	741,274	371,820
Total assets	**20,712,044**	**36,432,150**	**19,159,171**	**42,296,712**	**28,724,013**
Deposits from banks	5,280,086	16,552,685	2,801,785	6,503,092	2,594,896
Deposits from customers	35,563,195	18,862,411	10,909,524	7,785,760	2,539,420
Debt securities issued	0	2,902,202	1,304,501	7,492,360	1,753,037
Trading liabilities	510,574	424,079	521,402	2,067,020	1,603,242
Subordinated capital	0	57,826	69,322	483,904	3,569,697
Sundry liabilities	1,861,022	768,005	428,117	219,934	106,876
Subtotal	**43,214,877**	**39,567,209**	**16,034,651**	**24,552,069**	**12,167,169**
Equity	11,788,116	0	0	0	0
Total equity and liabilities	**55,002,993**	**39,567,209**	**16,034,651**	**24,552,069**	**12,167,169**

2012 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	12,157,356	0	0	0	0
Loans and advances to banks	2,403,183	15,962,202	2,153,080	623,090	288,927
Loans and advances to customers	8,198,123	15,036,434	14,326,941	28,167,122	19,871,082
Impairment losses on loans and advances	(5,715,230)	0	0	0	0
Trading assets	321,057	1,281,240	1,221,722	3,235,535	3,714,250
Financial investments	1,084,210	5,665,322	1,492,837	4,637,498	1,087,712
Investments in associates	1,719,743	0	0	0	0
Sundry assets	3,926,076	1,297,457	259,074	955,936	583,021
Total assets	**24,094,518**	**39,242,656**	**19,453,653**	**37,619,181**	**25,544,992**
Deposits from banks	4,679,315	19,912,888	2,799,037	8,156,781	2,861,747
Deposits from customers	32,092,795	17,432,991	10,855,973	3,750,152	2,307,553
Debt securities issued	0	2,188,202	2,071,309	8,559,836	485,059
Trading liabilities	539,401	631,797	676,046	3,305,247	3,670,913
Subordinated capital	0	11,794	30,639	468,191	3,374,621
Sundry liabilities	1,546,343	1,006,433	257,427	58,584	52,204
Subtotal	**38,857,854**	**41,184,106**	**16,690,432**	**24,298,792**	**12,752,097**
Equity	12,171,718	0	0	0	0
Total equity and liabilities	**51,029,573**	**41,184,106**	**16,690,432**	**24,298,792**	**12,752,097**

(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	65,897,408	67,900,528
Liabilities	54,137,478	56,092,921

(37) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€ 000	2013	2012
Assets	112,889,296	109,535,180
Liabilities	82,807,550	82,914,192

(38) Securitization

RZB 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 RZB'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, RZB 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%

RZB as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RZB 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).

Total exposure to structured products (excluding CDS):

€ 000	2013 Outstanding notional amount	2013 Carrying amount	2012 Outstanding notional amount	2012 Carrying amount
Asset-backed securities (ABS)	609,363	609,775	242,538	242,526
Mortgage-backed securities (MBS)	55	49	158,376	157,114
Collateralized debt obligations (CDO)	42,196	151	70,817	2,793
Other	29,586	994	30,019	1,001
Total	**681,199**	**610,968**	**501,750**	**403,434**

(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	713,458	698,843
hereof bonds, notes and other fixed-interest securities	686,094	698,843
hereof shares and other variable-yield securities	0	0
hereof loans and advances	27,364	0
Securities purchased in a genuine sale and repurchase agreement	**2,063,472**	**7,491,583**
hereof sold or repledged	713,458	1,437,763
hereof bonds, notes and other fixed-interest securities	686,094	1,394,362
hereof shares and other variable-yield securities	0	43,401
hereof loans and advances	27,364	0

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

2013 € 000	Transferred assets Carrying amount	hereof securitizations	hereof repurchase agreements	Associated liabilities Carrying amount	hereof securitizations	hereof repurchase agreements
Trading assets	**251,903**	**668**	**251,235**	**205,674**	**0**	**205,674**
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**				
Bonds, notes and other fixed-interest securities	578,981	5,566	573,415	423,637	423	423,214
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**

2012 € 000	Transferred assets Carrying amount	hereof securitizations	hereof repurchase agreements	Associated liabilities 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
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.

Risik report

(42) Risks arising from financial instruments

Active risk management is a core competency of RZB. In order to effectively identify, measure, and manage risks the Group 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

RZB 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 of Raiffeisen Zentralbank. The principles include the following risk policies:

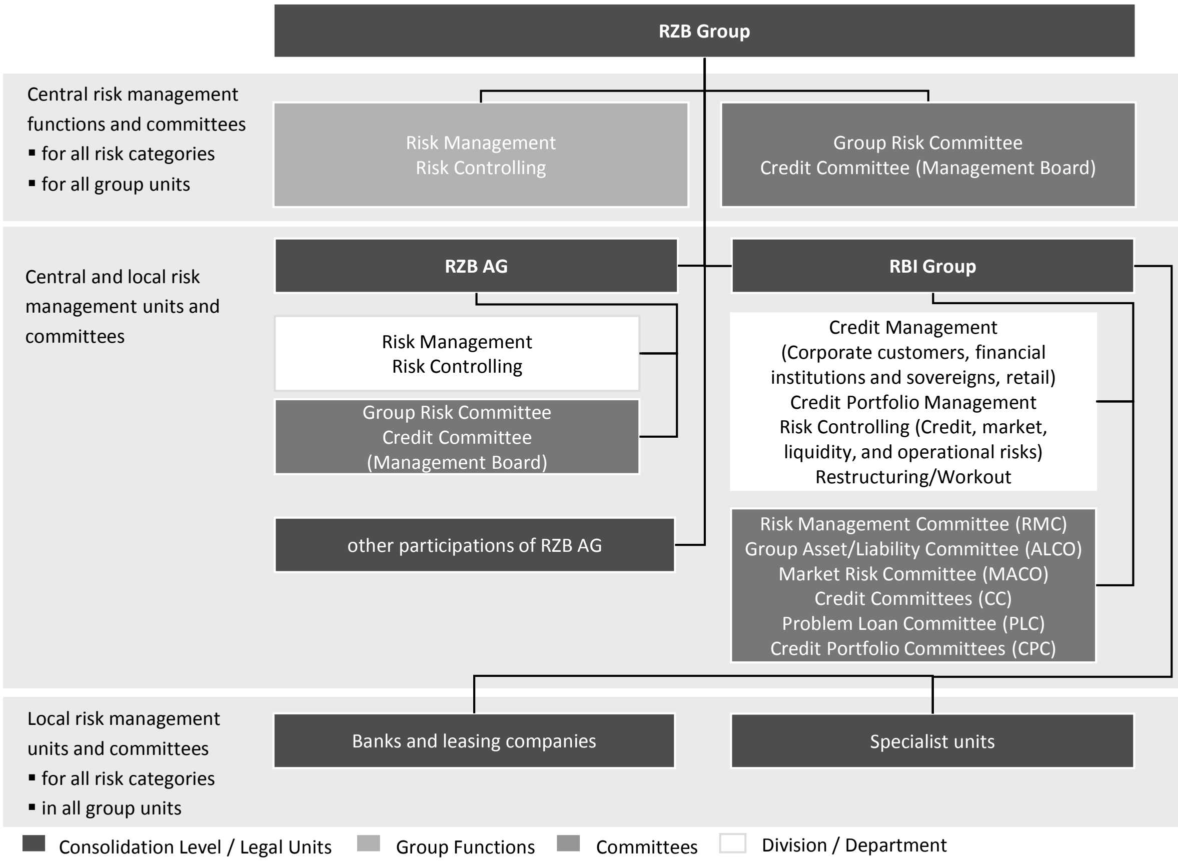
- Integrated risk management: Credit and country risks, participation, market, liquidity, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: 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.
- 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 RZB, 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 Raiffeisen Zentralbank 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.

Basically, risk management functions are performed on different levels in the Group. Raiffeisen Zentralbank as the parent credit institution concluded several Service Level Agreements with risk management units of RBI AG which develop and implement the relevant concepts in coordination with the subsidaries 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. 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.

Risik commitees

The Group Risk Committee is the highest decision-making body for all risk-relevant issues at RZB. It determines the risk management methods and steering concepts to be implemented for the Group as a whole and its key parts. These include risk tolerance, various risk budgets, limits at overall Bank level and monitoring the current risk situation, with appropriate management measures.

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 of RZB 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 performs in this context key functions relating to refinancing planning and determining measures for safeguarding against structural 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, Internal control system (IKS), Operations, Human Resources, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for controlling operational risk of RZB. 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 auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This should make sure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the central division Organization & Internal Control System which continuously analyzes the internal control system and – if actions are necessary for closing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of Raiffeisen Zentralbank 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, RZB is continuously supervised by the Austrian Financial Markets Authority and by local supervisors in those countries, where RZB is represented by branches or subsidiaries.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RZB. 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 RZB 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.

RZB 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 RZB decreased to € 8,745,239 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 RZB is now in credit risk of the asset class corporate customers which accounts for around 32 per cent (2012: 26 per cent) of total risk. In total, credit risk is responsible for about 66 per cent (2012: 65 per cent) of economic capital. Market risk accounts for 7 per cent (2012: 8 per cent) and operational risk for 8 per cent (2012: 9 per cent). In addition, a general risk buffer for other risks of unchanged 5 per cent of the calculated economic capital is added.

The economic capital is compared to internal capital, which mainly denotes equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage for servicing claims of senior debtors if the bank should incur losses. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 64.5 per cent at year-end (2012: 71 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. 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	2,789,077	31.9%	2,605,323	26.5%
Credit risk private individuals	2,147,115	24.6%	2,456,811	24.9%
Credit risk sovereigns	505,733	5.8%	969,144	9.8%
Credit risk financial institutions	320,456	3.7%	331,125	3.4%
Market risk	638,022	7.3%	793,831	8.1%
Operational risk	734,193	8.4%	844,649	8.6%
Liquidity risk	297,414	3.4%	214,442	2.2%
Participation risk	370,537	4.2%	367,925	3.7%
Other tangible fixed assets	333,450	3.8%	456,771	4.6%
Macroeconomic risk	192,802	2.2%	340,416	3.5%
Risk buffer	416,440	4.8%	469,022	4.8%
Total	**8,745,239**	**100.0%**	**9,849,460**	**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 RZB 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 RZB 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 RZB, 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 RZB, 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 RZB 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	5,737,634	9,872,901
Loans and advances to banks	22,650,421	21,430,482
Loans and advances to customers	90,594,260	85,599,701
Trading assets	7,535,053	9,773,805
Derivatives	993,974	1,404,223
Financial investments	15,036,608	12,855,064
Other assets	275,884	264,654
Contingent liabilities	11,552,813	12,467,627
Commitments	10,752,599	10,957,331
Revocable credit lines	16,885,611	16,053,749
Description differences	(4,373,490)	(3,569,921)
Total[1]	**177,641,367**	**177,109,617**

1 Items on the statement of financial position contain only credit risk parts.

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g., 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	6,507,476	7.9%
2	Excellent credit standing	10,434,964	12.6%
3	Very good credit standing	8,382,527	10.1%
4	Good credit standing	11,024,696	13.3%
5	Sound credit standing	13,929,264	16.8%
6	Acceptable credit standing	12,974,021	15.7%
7	Marginal credit standing	7,560,789	9.1%
8	Weak credit standing / sub-standard	2,712,239	3.3%
9	Very weak credit standing / doubtful	2,118,522	2.6%
10	Default	5,690,414	6.9%
NR	Not rated	1,443,892	1.7%
Total		**82,778,803**	**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	1,194,159	1.4%
1.0	Excellent credit standing	8,468,399	10.2%
1.5	Very good credit standing	9,314,870	11.2%
2.0	Good credit standing	12,472,872	15.0%
2.5	Sound credit standing	12,185,968	14.7%
3.0	Acceptable credit standing	12,893,438	15.5%
3.5	Marginal credit standing	11,667,194	14.0%
4.0	Weak credit standing/sub-standard	5,383,703	6.5%
4.5	Very weak credit standing/doubtful	3,568,130	4.3%
5.0	Default	4,986,075	6.0%
NR	Not rated	1,029,433	1.2%
Total		**83,164,241**	**100.0%**

The maximum credit exposure to corporates amounted to € 82,778,803 thousand (2012: € 83,164,241 thousand) at year-end 2013, thus representing a decline of € 385,438 thousand. At € 78,517,943 thousand (2012: € 80,895,816 thousand) Raiffeisen Bank International Group is the largest segment.

The decrease of € 2,377,873 thousand in the segment Raiffeisen Bank International Group was nearly offset by the first time consolidation of specialized subsidiaries (plus € 2,000,738 thousand) at year-end 2013.

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	3,508,121	38.1%	3,899,494	43.1%
6.2	Good project risk profile – low risk	3,109,478	33.8%	2,668,622	29.5%
6.3	Acceptable project risk profile – average risk	1,333,872	14.5%	1,412,089	15.6%
6.4	Poor project risk profile – high risk	630,862	6.8%	459,136	5.1%
6.5	Default	617,154	6.7%	586,708	6.5%
NR	Not rated	13,373	0.1%	28,826	0.3%
Total		**9,212,861**	**100.0%**	**9,054,875**	**100.0%**

The maximum credit exposure in project finance amounted to € 9,212,861 thousand (2012: € € 9,054,875 thousand) at year-end 2013. Projects rated in the two best rating grades excellent project risk profile – very low risk (rating 6.1) or good project risk profile – low risk (rating 6.2) account for 71.9 per cent (2012: 72.6 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 € 391,373 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 grade 6.2 of € 440,857 thousand is due to new business and expansion of existing credit financings. Unrated projects decreased to 0.1 per cent (€ 13,373 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	21,986,443	23.9%	21,738,502	23.6%
Austria	18,047,372	19.6%	17,731,822	19.2%
Russia	11,520,096	12.5%	12,000,803	13.0%
Western Europe	10,431,336	11.3%	11,223,048	12.2%
Southeastern Europe	10,338,898	11.2%	10,671,020	11.6%
Asia	5,922,552	6.4%	6,927,817	7.5%
CIS Other	3,895,603	4.2%	3,681,640	4.0%
Other	9,849,364	10.7%	8,244,464	8.9%
Total	**91,991,664**	**100.0%**	**92,219,116**	**100.0%**

1 Adjustments 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	20,938,228	22.8%	21,248,512	23.0%
Manufacturing	18,589,054	20.2%	18,737,196	20.3%
Real estate	10,136,088	11.0%	10,391,198	11.3%
Financial intermediation	8,460,662	9.2%	10,093,546	10.9%
Freelance/technical services	7,345,086	8.0%	5,503,251	6.0%
Construction	6,832,751	7.4%	6,983,651	7.6%
Electricity, gas, steam and hot water supply	4,228,358	4.6%	3,542,733	3.8%
Transport, storage and communication	3,876,658	4.2%	3,913,436	4.2%
Other industries	11,584,779	12.6%	11,805,592	12.8%
Total	**91,991,664**	**100.0%**	**92,219,116**	**100.0%**

1 Adaption of previous year figures due to more detailed splitt.

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 RZB:

€ 000	2013	Share	2012	Share
Retail customers – private individuals	32,964,494	91.1%	25,856,000	88.7%
Retail customers – small and medium-sized entities	3,210,132	8.9%	3,278,328	11.3%
Total	**36,174,626**	**100.0%**	**29,134,328**	**100.0%**
hereof non-performing loans	3,013,711	8.3%	3,053,804	10.5%
hereof individual loan loss provision	1,967,313	5.4%	1,680,615	5.8%
hereof portfolio-based loan loss provision	192,216	0.5%	570,004	2.0%

Compared to year-end 2012, the retail credit portfolio increased € 7,040,298 thousand to € 36,174,626 thousand (2012: € 29,134,328 thousand) which mainly resulted from the first time consolidation of specialized subsidiaries (plus € 6,794,922 thousand (thereof € 5,400,593 thousand from Raiffeisen Bausparkasse Gesellschaft mbH, Vienna).

The highest volume of € 16,777,128 thousand (2012: € 16,214,036 thousand) was booked in the region Central Europe, thus representing an increase of € 563,092 thousand compared to the previous year. This was on the one hand due to the first time consolidation of Raiffeisen stavebni sporitelna, a.s. , Prague (plus € 1,268,255 thousand) but on the other hand partly offset by the decline in loans to private individuals in Poland. Southeastern Europe ranks second at € 7,484,947 thousand (2012: € 7,380,448 thousand).

In Russia, the volumes in asset class private individuals increased € 988,471 thousand resulting mainly from personal loans.

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

€ 000	2013	Share	2012[1]	Share
Mortgage loans	19,547,099	54.0%	14,447,210	49.6%
Personal loans	7,752,298	21.4%	6,580,293	22.6%
Car loans	3,159,008	8.7%	2,325,745	8.0%
Credit cards	2,287,040	6.3%	1,990,179	6.8%
Overdraft	1,875,733	5.2%	2,457,087	8.4%
SME financing	1,553,447	4.3%	1,333,814	4.6%
Total	**36,174,626**	**100.0%**	**29,134,328**	**100.0%**

1 Adjustment of previous year figures.

The share of foreign currency loans in retail portfolio 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
Euro	3,557,010	39.3%	4,054,190	38.6%
Swiss franc	4,560,404	50.4%	5,109,986	48.6%
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	**9,043,205**	**100.0%**	**10,504,040**	**100.0%**
Share of total loans	**25.0%**		**36.1%**	

Compared to year-end 2012, loans denominated in foreign currency decreased. Beside the economic development also the legal changes i.e. in Hungary were a crucial factor.

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.

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	984,704	3.6%	987,935	3.2%
A3	Good credit standing	12,720,908	46.9%	18,242,812	58.7%
B1	Sound credit standing	8,152,469	30.1%	7,367,878	23.7%
B2	Average credit standing	1,835,670	6.8%	1,781,723	5.7%
B3	Mediocre credit standing	1,812,783	6.7%	1,110,708	3.6%
B4	Weak credit standing	522,709	1.9%	696,652	2.2%
B5	Very weak credit standing	303,924	1.1%	330,228	1.1%
C	Doubtful/high default risk	187,038	0.7%	157,261	0.5%
D	Default	213,498	0.8%	269,207	0.9%
NR	Not rated	123,355	0.5%	48,533	0.2%
Total		**27,101,673**	**100.0%**	**31,088,607**	**100.0%**

The maximum credit exposure to financial institutions amounted to € 27,101,673 thousand (2012: € 31,088,607 thousand) at year-end 2013. At 46.9 per cent (2012: 58.7 per cent), rating class A3 (good credit standing) recorded a decrease of € 5,521,904 thousand. This resulted mainly from a decline in swap, money market and repo businesses (minus € 6,678,645 thousand). The decline was partly offset by the first time consolidation of specialized subsidiaries with plus € 1,471,213 thousand. The medium rating classes from B1 (sound credit standing) to B3 (mediocre credit standing) represents about 43.6 per cent (2012: 33 per cent) of credit exposure.

Part of the credit exposure is made up of loans to financial institutions which are part of the overall RZB ownership structure. Due to the multi-layered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the banking group is shown as part of the credit exposure in this asset class. To cover the risk, bilateral netting-agreements and joint risk monitoring systems are used.

The share of not rated financial institutions was less than one 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.

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.

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

€ 000	2013	Share	2012	Share
Money market	6,859,927	25.3%	8,789,316	28.3%
Derivatives	6,430,723	23.7%	11,120,293	35.8%
Repo	4,683,460	17.3%	4,736,967	15.2%
Loans	4,010,779	14.8%	3,462,003	11.1%
Bonds	3,371,155	12.4%	2,195,631	7.1%
Other	1,745,629	6.4%	784,396	2.5%
Total	**27,101,673**	**100.0%**	**31,088,607**	**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	3,290,859	14.7%	7,200,993	29.2%
A2	Excellent credit standing	1,377,321	6.2%	815,865	3.3%
A3	Good credit standing	4,258,872	19.0%	3,864,482	15.7%
B1	Sound credit standing	2,954,356	13.2%	2,786,939	11.3%
B2	Average credit standing	1,081,206	4.8%	1,278,038	5.2%
B3	Mediocre credit standing	4,187,096	18.7%	3,425,307	13.9%
B4	Weak credit standing	3,683,680	16.5%	3,798,896	15.4%
B5	Very weak credit standing	1,404,209	6.3%	1,171,675	4.7%
C	Doubtful/high default risk	5,088	0.0%	232,424	0.9%
D	Default	36,899	0.2%	83,383	0.3%
NR	Not rated	93,820	0.4%	9,565	0.0%
Total		**22,373,406**	**100.0%**	**24,667,566**	**100.0%**

The maximum credit exposure to sovereigns amounted to € 22,373,406 thousand (2012: € 24,667,566 thousand) at year-end 2013 and represented 15.3 per cent (2012: 13.9 per cent) of the total credit exposure.

The rating grade excellent credit standing (A1) showed the highest decrease of 14.7 per cent (2012: 29.2 per cent). The decline of € 3,910,134 thousand is mostly driven by the reduction of deposits at the Austrian National Bank in the segment Raiffeisen Bank International Group and in Raiffeisen Zentralbank (minus € 4,752,669 thousand) and was offset by the increase in the portfolio of Austrian government bonds (plus € 758,025 thousand).

The rating grade (A3) represented the highest share with 19.0 per cent and comprises mainly loans to the Czech Republic and Slovakia. The volume in lower credit rating grades (C und 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	13,917,036	62.2%	12,308,181	49.9%
Loans	7,188,644	32.1%	8,697,834	35.3%
Derivatives	726,408	3.2%	1,318,989	5.3%
Other	541,317	2.4%	2,342,563	9.5%
Total	**22,373,406**	**100.0%**	**24,667,566**	**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	2,235,455	23.8%	2,236,536	25.6%
Romania	2,068,442	22.0%	1,808,045	20.7%
Croatia	989,510	10.5%	1,022,513	11.7%
Albania	843,639	9.0%	976,138	11.2%
Ukraine	607,517	6.5%	766,157	8.8%
Other	2,666,229	28.3%	1,911,861	21.9%
Total	**9,410,792**	**100.0%**	**8,721,250**	**100.0%**

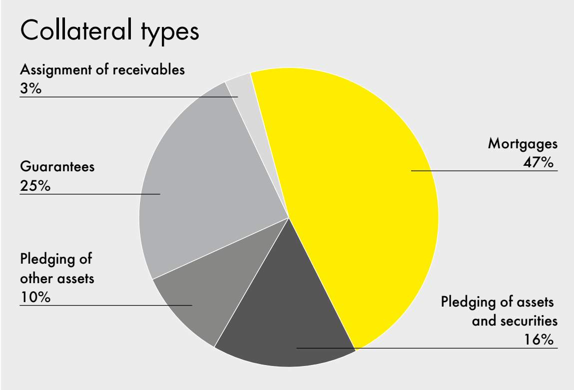
The credit exposure increased to € 9,410,792 thousand. The exposure consists primarily of deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing the short-term investment of excess 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 RZB 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 RZB 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 RZB are shown in the following table:



2013 € 000	Maximum credit exposure Net exposure	Commitments/guarantees issued	Fair value of collateral
Banks	22,532,277	3,312,806	4,248,475
Sovereigns	1,799,931	277,102	738,141
Corporate customers – large corporates	48,917,374	31,156,199	36,429,136
Corporate customers – mid market	3,110,998	914,341	2,548,941
Retail customers – private individuals	28,320,119	3,154,290	18,456,342
Retail customers – small and medium-sized entities	2,574,201	418,657	1,921,975
Total	**107,254,900**	**39,233,395**	**64,343,010**

2012[1] € 000	Maximum credit exposure Net exposure	Commitments/guarantees issued	Fair value of collateral
Banks	21,272,763	3,794,351	5,372,879
Sovereigns	1,470,465	199,937	762,766
Corporate customers – large corporates	51,141,819	31,462,774	35,655,949
Corporate customers – mid market	3,123,128	858,082	2,642,528
Retail customers – private individuals	21,624,739	2,727,893	14,099,956
Retail customers – small and medium-sized entities	2,682,039	435,922	1,982,897
Total	**101,314,953**	**39,478,960**	**60,516,976**

1 Adjustments 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 € 23,696,372 thousand (2012: € 27,023,018 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	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	22,501,688	27	26	1	0	1	0
Sovereigns	1,758,540	18,997	207	0	8	537	1,442
Corporate customers – large corporates	45,469,584	838,861	357,885	3,978	75,887	127,524	884,568
Corporate customers – mid market	2,735,906	184,054	72,485	18,529	7,851	5,353	214,278
Retail customers – private individuals	26,105,125	1,210,562	281,508	113,290	5,995	6,645	622,891
Retail customers – small and medium-sized entities	2,244,340	157,396	29,686	8,036	1,499	7,127	180,638
Total	**100,815,183**	**2,409,897**	**741,797**	**143,834**	**91,240**	**147,186**	**1,903,816**

2012	Current	Overdue					Collaterals
€ 000		Up to 30 days	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	21,230,040	369	7	4	3	23	43,413
Sovereigns	1,390,753	32,012	1,430	68	275	570	12,002
Corporate customers – large corporates	47,371,608	1,595,958	243,280	41,820	82,579	216,885	779,274
Corporate customers – mid market	2,717,364	98,956	58,802	6,827	7,475	17,775	148,015
Retail customers – private individuals	18,973,561	1,541,442	335,648	152,950	40,383	280,751	923,748
Retail customers – small and medium-sized entities	2,211,158	233,554	73,559	20,060	19,728	71,373	333,345
Total	**93,894,484**	**3,502,291**	**712,726**	**221,730**	**150,443**	**587,377**	**2,239,797**

Restructuring of loans

RZB 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. RZB 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 RZB 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	5,193,127	342,696	(117,358)	2,349,261	(1,535,967)	6,231,760
Retail customers	3,053,804	91,711	(93,985)	937,216	(976,850)	3,011,895
Sovereigns	57,216	0	(898)	15,478	(42,675)	29,122
Total nonbanks	**8,304,146**	**434,407**	**(212,240)**	**3,301,955**	**(2,555,491)**	**9,272,777**
Banks	201,666	0	(2,321)	2,087	(47,963)	153,469
Total	**8,505,813**	**434,407**	**(214,562)**	**3,304,043**	**(2,603,454)**	**9,426,246**

€ 000	As of 1/1/2012	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2012
Corporate customers	4,749,445	77,429	44,759	1,752,303	(1,430,809)	5,193,127
Retail customers	2,454,576	430,405	50,179	1,020,563	(901,919)	3,053,804
Sovereigns	12,274	0	31	46,195	(1,284)	57,216
Total nonbanks	**7,216,295**	**507,833**	**94,969**	**2,819,061**	**(2,334,012)**	**8,304,146**
Banks	241,276	0	(960)	6,460	(45,110)	201,666
Total	**7,457,571**	**507,833**	**94,009**	**2,825,521**	**(2,379,122)**	**8,505,813**

The changes in the consolidated group of 2013 resulted from the first time consolidation of specialized subsidiaries and those of the previous year from first time consolidation of Polbank.

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	2013	2012	2013	2012	2013	2012
Corporate customers	6,231,760	5,193,127	11.2%	9.0%	59.5%	63.5%
Retail customers	3,011,895	3,053,804	9.1%	11.5%	71.7%	73.7%
Sovereigns	29,122	57,216	1.6%	3.9%	17.6%	19.8%
Total nonbanks	**9,272,777**	**8,304,146**	**10.2%**	**9.7%**	**63.1%**	**66.9%**
Banks	153,469	201,666	0.7%	0.9%	72.6%	78.2%
Total	**9,426,246**	**8,505,813**	**8.3%**	**7.9%**	**63.5%**	**67.2%**

In 2013, in the asset class corporate customers, non-performing loans increased 20 per cent or € 1,038,633 thousand to € 6,231,760 thousand (2012: € 5,193,127 thousand), the ratio of non-performing loans to credit exposure rose 2.2 percentage points to 11.2 per cent; at the same time the NPL coverage ratio went down by 4.0 percentage points to 59.5 per cent.

In the retail portfolio on the other hand, non-performing loans sank 1.4 per cent or € 41,908 thousand to € 3,011,895 thousand (2012: € 3,053,804 thousand). The ratio of non-performing loans to credit exposure also decreased to 9.1 Prozent and the NPL coverage ratio went down by 2.0 percentage points to 71.7 per cent.

The portfolio of non-performing loans in the division financial institutions amounted 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.

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:

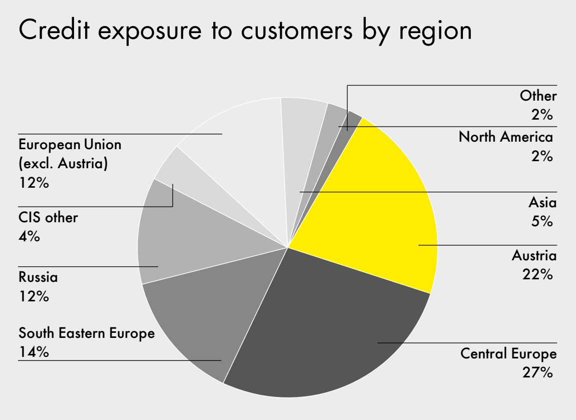
€ 000	As of 1/1/2013	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As of 31/12/2013
Individual loan loss provisions	**4,918,921**	**223,326**	**2,024,899**	**(761,872)**	**(1,042,382)**	**206,447**	**5,569,339**
Loans and advances to banks	145,805	(15,678)	168	(4,584)	(11,464)	(2,800)	111,447
Loans and advances to customers	4,666,434	241,487	1,954,191	(702,598)	(1,020,436)	219,065	5,358,144
Off-balance sheet obligations	106,682	(2,484)	70,540	(54,690)	(10,482)	(9,818)	99,748
Portfolio-based loan loss provisions	**949,763**	**27,406**	**331,159**	**(380,134)**	**(139)**	**(362,374)**	**565,680**
Loans and advances to banks	11,914	0	3,869	(4,391)	(1,903)	(2,791)	6,697
Loans and advances to customers	891,076	27,406	310,857	(350,587)	(7,663)	(357,596)	513,493
Off-balance sheet obligations	46,773	0	16,433	(25,156)	9,428	(1,987)	45,490
Total	**5,868,684**	**250,732**	**2,356,058**	**(1,142,007)**	**(1,042,521)**	**(155,927)**	**6,135,019**

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	**4,501,005**	**95,305**	**1,777,620**	**(573,939)**	**(919,873)**	**38,804**	**4,918,921**
Loans and advances to banks	208,591	0	2,387	(5,967)	(58,105)	(1,101)	145,805
Loans and advances to customers	4,202,257	90,494	1,697,364	(514,317)	(847,060)	37,696	4,666,434
Off-balance sheet obligations	90,157	4,811	77,869	(53,655)	(14,708)	2,209	106,682
Portfolio-based loan loss provisions	**762,777**	**337,897**	**361,008**	**(525,111)**	**0**	**13,193**	**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	12,501	891,076
Off-balance sheet obligations	63,167	1,138	19,992	(38,225)	0	701	46,773
Total	**5,263,782**	**433,201**	**2,138,628**	**(1,099,051)**	**(919,873)**	**51,997**	**5,868,684**

1 Allocation including direct write-downs and income on written down claims.
2 Usage including direct write-downs and income on written down claims.

Country risk



Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RZB 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 RZB 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 RZB'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 RZB 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 RZB 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 RZB'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	Share
Central Europe	**48,159,425**	**27.1%**	**48,187,162**	**27.2%**
Poland	14,246,773	8.0%	14,686,703	8.3%
Czech Republic	12,324,884	6.9%	11,176,189	6.3%
Slovakia	11,773,261	6.6%	11,505,817	6.5%
Hungary	8,077,861	4.5%	8,787,837	5.0%
Other	1,736,645	1.0%	2,030,616	1.1%
Austria	**38,433,287**	**21.6%**	**35,973,872**	**20.3%**
European Union	**22,113,773**	**12.4%**	**24,035,375**	**13.6%**
Germany	6,066,318	3.4%	6,681,870	3.8%
France	5,176,954	2.9%	5,277,852	3.0%
Great Britain	4,293,542	2.4%	6,932,414	3.9%
Netherlands	1,642,053	0.9%	1,446,262	0.8%
Other	4,934,906	2.8%	3,696,977	2.1%
Southeastern Europe	**24,854,619**	**14.0%**	**24,752,247**	**14.0%**
Romania	8,758,075	4.9%	8,097,000	4.6%
Croatia	5,474,792	3.1%	5,730,036	3.2%
Bulgaria	3,920,575	2.2%	4,271,157	2.4%
Serbia	2,271,884	1.3%	2,073,441	1.2%
Other	4,429,293	2.5%	4,580,613	2.6%
Russia	**20,459,443**	**11.5%**	**19,883,559**	**11.2%**
Far East	**9,043,686**	**5.1%**	**9,670,143**	**5.5%**
China	4,208,192	2.4%	4,167,045	2.4%
Singapore	1,516,166	0.9%	1,754,353	1.0%
Other	3,319,329	1.9%	3,748,745	2.1%
CIS Other	**7,515,668**	**4.2%**	**7,424,800**	**4.2%**
Ukraine	5,551,917	3.1%	5,649,252	3.2%
Other	1,963,751	1.1%	1,775,548	1.0%
North America	**4,146,217**	**2.3%**	**3,496,344**	**2.0%**
Rest of World	**2,915,249**	**1.6%**	**3,686,116**	**2.1%**
Total	**177,641,367**	**100.0%**	**177,109,617**	**100.0%**

1 Adjustments of previous year figures due to different mapping.

RZB 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 RZB 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	44,206,576	24.9%	56,979,022	32.2%
Private households	34,044,851	19.2%	23,136,825	13.1%
Wholesale trade and commission trade (except car trading)	16,228,821	9.1%	16,520,201	9.3%
Other manufacturing	12,515,506	7.0%	12,068,959	6.8%
Public administration and defence and social insurance institutions	12,524,818	7.1%	11,015,205	6.2%
Real estate activities	11,872,665	6.7%	10,677,056	6.0%
Construction	7,038,070	4.0%	7,249,431	4.1%
Other business activities	5,931,700	3.3%	6,257,721	3.5%
Retail trade except repair of motor vehicles	4,175,289	2.4%	4,827,639	2.7%
Electricity, gas, steam and hot water supply	4,267,679	2.4%	3,349,926	1.9%
Manufacture of basic metals	2,556,694	1.4%	2,683,831	1.5%
Manufacture of food products and beverages	2,439,261	1.4%	2,380,700	1.3%
Other transport	2,037,154	1.1%	2,299,661	1.3%
Land transport, transport via pipelines	2,123,686	1.2%	2,028,215	1.1%
Manufacture of machinery and equipment	1,489,316	0.8%	1,445,707	0.8%
Extraction of crude petroleum and natural gas	1,218,276	0.7%	1,416,710	0.8%
Sale of motor vehicles	1,201,126	0.7%	1,370,643	0.8%
Other industries	11,769,881	6.6%	11,402,164	6.4%
Total	**177,641,367**	**100.0%**	**177,109,617**	**100.0%**

Structured credit portfolio

RZB'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 RZB 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, RZB 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

RZB 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

RZB 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

RZB 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. RZB's VaR mainly results from long-termed equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d € 000	VaR as of 31/12/2013	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2012
Currency risk[1]	41,481	52,270	33,958	84,584	52,271
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	876	1,649	838	2,359	2,129
Vega risk	348	716	342	1,539	658
Total	45,937	59,291	41,565	88,554	59,093

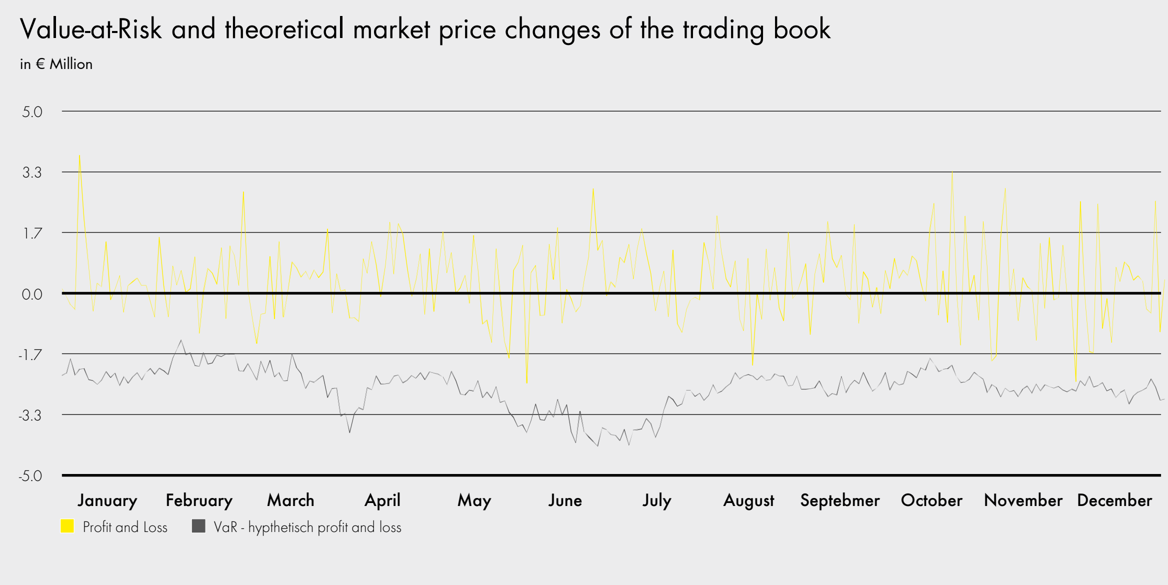
1 Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

Banking book VaR 99% 1d € 000	VaR as of 31/12/2013	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2012
Interest rate risk	8,598	11,796	4,747	27,936	14,378
Credit spread risk[1]	16,874	21,349	12,892	45,169	17,667
Vega risk	423	1,003	353	1,680	1,044
Total	19,984	26,475	15,509	44,900	23,910

Total VaR 99% 1d € 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	84,583	52,271
Interest rate risk	10,140	12,916	5,630	28,171	15,841
Credit spread risk	21,512	26,111	17,056	53,657	20,830
Share price risk	876	1,649	838	2,359	2,129
Vega risk	219	683	196	1,423	860
Total	56,937	74,363	53,132	115,796	71,212

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.



Exchange rate risk and capital (ratio) hedge

Market risk in RZB 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	776,202	768,020
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	(216,223)	(51,732)

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.

RZB 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.

RZB 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 € 000	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	15 to 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 € 000	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	15 to 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 in RZB.

The following table shows the change in the present value of RZB'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 € 000	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	15 to 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	628	(8)	(6)	64	50	(173)	645	151	(14)	70	(58)	(93)
HRK	(83)	(3)	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)	(3)	(3)	(9)	(2)	(1)	0	0	0	0	0
RUB	(163)	(8)	(3)	(15)	(16)	(95)	84	(48)	(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	44	116	1	(73)	(68)	(10)	(52)	3	2	(2)
Other	(1)	11	15	15	(49)	1	9	(2)	(1)	0	0	0

The presentation of currencies changed year-on-year depending on the absolute value of interest sensitivity.

2012 € 000	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	15 to 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	241	57	20	184	187	67	79	(50)	149	(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 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. RZB 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	16,638,135	13,990,213	13,856,512	14,128,921	11,462,405	13,514,415
Liquidity ratio	146%	125%	113%	124%	114%	109%

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. RZB funds itself's by money and capital market transactions, on the one hand, and from the network banks' retail business. RZB is the central liquidity clearing unit for the Austrian Raiffeisen Banking Group and for the local Group units in Central and Eastern Europe.

In RZB'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 AG as the largest single institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RZB 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 € 000	Carrying amount	Contractual cash flows	Up to 3 months	> 3 to 12 months	> 1 year to 5 years	More than 5 years
Non-derivative liabilities	**130,225,828**	**138,649,757**	**80,414,283**	**17,998,445**	**29,198,487**	**11,038,544**
Deposits from banks	33,732,544	36,021,102	19,821,409	4,274,176	9,611,153	2,314,364
Deposits from customers	75,660,310	78,778,259	54,594,031	11,577,455	9,878,586	2,728,189
Debt securities issued	13,452,100	15,213,280	3,328,832	1,429,798	7,884,642	2,570,007
Other liabilities	3,200,125	3,287,778	2,258,416	466,216	493,700	69,447
Subordinated capital	4,180,749	5,349,338	411,595	250,800	1,330,406	3,356,537
Derivative liabilities	**4,362,618**	**13,761,004**	**6,950,436**	**2,522,583**	**3,319,028**	**968,958**
Derivatives in the trading book	3,964,712	10,551,703	4,430,744	2,267,373	2,992,685	860,901
Hedging derivatives	132,536	166,465	44,752	11,062	50,755	59,897
Other derivatives	265,091	2,665,662	2,097,766	244,148	275,588	48,160
Credit derivatives	279	377,174	377,174	0	0	0
Contingent liabilities	**11,552,813**	**3,022,174**	**1,776,121**	**881,333**	**215,849**	**148,872**
Acceptances and endorsements	0	0	0	0	0	0
Credit guarantees	6,233,037	596,783	168,782	289,872	70,766	67,363
Other guarantees	2,660,200	463,302	207,262	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	471,034	378,146	372,972	5,174	0	0
Commitments	**10,752,599**	**10,891,734**	**4,478,529**	**1,352,640**	**4,803,963**	**256,601**
Irrevocable credit lines	10,752,599	10,837,547	4,478,529	1,333,363	4,769,053	256,601

2012 € 000	Carrying amount	Contractual cash flows	Up to 3 months	> 3 to 12 months	> 1 year to 5 years	More than 5 years
Non-derivative liabilities	**124,999,906**	**142,115,580**	**84,192,817**	**20,244,197**	**27,980,266**	**9,698,298**
Deposits from banks	38,409,769	45,555,668	27,411,096	4,720,877	10,665,674	2,758,020
Deposits from customers	66,439,464	72,032,629	50,939,184	11,923,536	6,601,266	2,568,643
Debt securities issued	13,304,407	15,767,558	2,853,361	2,543,383	8,931,941	1,438,872
Other liabilities	2,961,020	3,855,732	2,894,286	341,457	581,402	38,587
Subordinated capital	3,885,246	4,903,993	94,890	714,944	1,199,983	2,894,176
Derivative liabilities	**7,935,300**	**16,707,935**	**6,101,621**	**2,750,464**	**6,382,611**	**1,473,237**
Derivatives in the trading book	7,446,216	13,901,500	4,060,048	2,587,414	5,843,662	1,410,376
Hedging derivatives	119,933	128,171	15,311	33,326	72,733	6,801
Other derivatives	368,297	2,678,021	2,026,157	129,658	466,145	56,060
Credit derivatives	854	243	105	66	71	0
Contingent liabilities	**12,467,627**	**3,952,465**	**2,644,969**	**865,314**	**266,069**	**176,112**
Acceptances and endorsements	37,670	35,007	33,394	1,614	0	0
Credit guarantees	6,509,690	606,657	133,262	348,505	109,451	15,439
Other guarantees	2,563,103	385,884	316,105	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	624,461	578,516	578,516	0	0	0
Commitments	**10,957,331**	**9,677,967**	**2,442,556**	**1,916,006**	**4,576,979**	**742,427**
Irrevocable credit lines	10,957,331	9,677,967	2,442,556	1,916,006	4,576,979	742,427

Adaption of previous year figures due to more detailed splitt.

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, RZB 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 RZB. 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, RZB 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

RZB 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. RZB also executes an extensive staff training program and has different emergency plans and back-up systems in place.

(43) Derivative financial instruments

2013 € 000	Nominal amount by maturity Up to 1 year	More than 1 year up to 5 years	More than 5 years	Total	Fair values Positive	Negative
Total	**77,483,424**	**65,092,585**	**42,399,755**	**184,975,765**	**4,183,443**	**(4,363,475)**
Interest rate contracts	**30,013,765**	**52,940,821**	**39,592,373**	**122,546,959**	**3,357,337**	**(2,727,362)**
OTC products						
Interest rate swaps	25,214,786	46,423,724	34,896,400	106,534,910	3,189,936	(2,557,855)
Interest rate futures	2,719,513	165,871	0	2,885,384	2,453	(2,614)
Interest rate options – purchased	964,274	2,832,996	2,012,651	5,809,921	159,509	0
Interest rate options – sold	652,464	2,912,026	2,519,305	6,083,795	0	(166,001)
Other similar contracts	11,278	0	0	11,278	0	0
Products trading on stock exchange						
Interest rate futures	451,450	606,204	124,017	1,181,672	5,165	(893)
Interest rate options	0	0	40,000	40,000	274	0
Foreign exchange rate and gold contracts	**45,597,204**	**9,029,862**	**2,379,681**	**57,006,747**	**746,109**	**(653,515)**
OTC products						
Cross-currency interest rate swaps	5,188,240	7,990,510	2,342,277	15,521,027	228,271	(313,838)
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**	**404,101**	**3,418,821**	**59,334**	**(840,495)**
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	75,364	701,871	0	(62,896)
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 unter trading assets and are not shown in the above table.

2012 € 000	Nominal amount by maturity Up to 1 year	More than 1 year up to 5 years	More than 5 years	Total	Fair values Positive	Negative
Total	**102,837,243**	**99,583,821**	**55,566,939**	**257,988,003**	**8,180,932**	**(7,935,299)**
Interest rate contracts	**51,048,077**	**84,989,896**	**52,973,698**	**189,011,671**	**7,209,073**	**(6,308,866)**
OTC products						
Interest rate swaps	43,642,533	79,672,530	47,705,335	171,020,398	6,988,469	(6,101,056)
Interest rate futures	5,284,446	136,578	0	5,421,024	12,331	(11,923)
Interest rate options – purchased	704,341	2,511,311	2,334,282	5,549,934	207,292	(0)
Interest rate options – sold	1,103,028	2,388,977	2,864,175	6,356,180	0	(194,563)
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**	**11,599,030**	**2,211,911**	**63,510,533**	**845,223**	**(773,030)**
OTC products						
Cross-currency interest rate swaps	5,076,458	10,528,653	2,187,184	17,792,294	286,359	(412,322)
Forward foreign exchange contracts	41,420,938	879,833	0	42,300,771	526,673	(278,775)
Currency options – purchased	1,536,174	73,358	0	1,609,532	31,589	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**	**3,623**	**(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 € 000	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	8,246,471	0	8,246,471	8,246,471	0
Loans and advances to banks	0	16,657,868	5,842,475	22,500,344	22,532,277	(31,933)
Loans and advances to customers	0	20,268,017	63,759,900	84,027,918	84,722,625	(694,708)
Financial investments	4,736,155	612,673	2,069,696	7,418,524	7,409,953	8,571
Liabilities						
Deposits from banks	0	26,389,191	7,444,428	33,833,620	33,732,544	101,075
Deposits from customers	0	34,896,619	40,871,115	75,767,734	75,660,310	107,424
Debt securities issued	2,242,414	8,992,642	173,564	11,408,620	11,330,600	78,020
Subordinated capital	0	3,621,041	137,731	3,758,772	3,689,972	68,799

As of year-end 2012, the fair value of loans and advances to banks amounted to € 21,287,238 thousand (carrying amount € 21,272,763 thousand), the fair value of loans and advances to customers amounted to € 80,431,991 thousand (carrying amount € 80,042,190 thousand) and the fair value of financial investments amounted to € 7,134,345 thousand (carrying amount € 6,986,674 thousand). On the liabilities side a fair value of € 38,398,770 thousand (carrying amount € 38,409,769 thousand) was calculated for deposits from banks, for deposits from customers the fair value was € 66,681,170 thousand (carrying amount € 66,439,464 thousand), for debt securities issued the fair value was € 10,779,613 thousand (carrying amount € 10,826,773 thousand) and for subordinated capital the fair value was € 2,753,521 thousand (carrying amount € 3,005,122 thousand).

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

€ 000	2013 Level I	2013 Level II	2013 Level III	2012 Level I	2012 Level II	2012 Level III
Trading assets	**4,072,475**	**3,718,663**	**164,884**	**2,118,474**	**8,264,399**	**93,491**
Positive fair values of derivatives[1]	4,072,475	3,718,663	164,884	99,561	7,286,997	92,712
Shares and other variable-yield securities	71,664	3,445,601	88,009	264,612	11,915	723
Bonds, notes and other fixed-interest securities	402,759	4,460	306	1,754,302	965,485	56
Call/time deposits from trading purposes	3,598,052	268,603	76,569	0	2	0
Financial assets at fair value through profit or loss	**5,150,021**	**1,563,533**	**22,131**	**5,106,433**	**3,232,801**	**44,333**
Shares and other variable-yield securities	323,424	108,836	4,889	55,048	105,301	5,700
Bonds, notes and other fixed-interest securities	4,826,597	1,454,697	17,242	5,051,385	3,127,501	38,633
Financial assets available-for-sale	**1,423,039**	**2,087,494**	**263,206**	**108,411**	**0**	**250,000**
Other interests[2]	4,435	0	0	108,411	0	0
Bonds, notes and other fixed-interest securities	1,418,604	2,087,494	11,627	0	0	0
Shares and other variable-yield securities	0	0	251,580	0	0	250,000
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 Level I	Level II	Level III	2012 Level I	Level II	Level III
Trading liabilities	**632,591**	**4,735,202**	**23,894**	**787,531**	**8,377,381**	**27,642**
Negative fair values of derivatives financial instruments[1]	130,831	4,082,610	16,640	165,420	7,629,626	20,320
Call/time deposits from trading purposes	0	0	0	0	10,045	0
Short-selling of trading assets	501,760	49,699	0	622,111	52	0
Certificates issued	0	602,893	7,254	0	737,658	7,322
Liabilities at fair value through profit and loss	**0**	**2,612,277**	**0**	**0**	**3,357,758**	**0**
Debt securities issued	0	2,121,500	0	0	2,477,634	0
Subordinated capital	0	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: Auf Marktdaten basierende Bewertungsmethoden
Level III: Nicht auf Marktdaten basierende Bewertungsmethoden

Movements between Level I and Level II

In 2013, mainly bonds and other fixed-interest 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	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	93,491	0	(452)	79,811	(23,466)
Financial assets at fair value through profit or loss	44,333	0	(228)	20,863	(37,625)
Financial assets available-for-sale	250,000	0	0	11,627	0
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	0	0	164,884
Financial assets at fair value through profit or loss	(2,781)	(286)	5,022	(5,587)	23,710
Financial assets available-for-sale	0	0	0	0	261,627
Derivatives (hedging)	0	4,656	0	0	23,101

€ 000	As of 1/1/2013	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	27,642	0	0	0	0
Liabilities at fair value through profit and loss	0	0	0	0	0
Derivatives (hedging)	0	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
Liabilities at fair value through profit and loss	0	0	0	0	0
Derivatives (hedging)	0	0	0	0	0

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted in 2013 to € 0 thousand (2012: gain of € 9,128 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	1	Net asset value	Haircuts	20 -50%
Shares and other variable-yield securities	Shares	257	Approximation method	–	–
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	102	Discounted cash flow	Credit spread	10-20%
Bonds, notes and other fixed-interest securities	Asset backed securities	1	Broker estimate	Probability of default Loss severity 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		**473**			

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 Currency risk LT volatility Index category	2 -16% 0 -5% 0 -3% 0 -5%
Issued certificates for trading purposes	Certificates	7	Option model	Closing period Bid-Ask Spread LT Volatility Index category	0 -3% 0 -3% 0 -3% 0 -2.5%
Total		**24**			

(46) Contingent liabilities and commitments

€ 000	2013	2012
Contingent liabilities	**11,552,813**	**12,467,627**
Acceptances and endorsements	38,141	37,670
Credit guarantees	6,233,037	6,509,690
Other guarantees	2,660,200	2,563,103
Letters of credit (documentary business)	2,188,542	2,732,703
Other contingent liabilities	432,893	624,461
Commitments	**10,752,599**	**10,957,331**
Irrevocable credit lines and stand-by facilities	10,752,599	10,957,331
Up to 1 year	2,937,010	4,278,586
More than 1 year	7,815,589	6,678,745

The following table contains revocable credit lines which are not yet related to credit risk:

€ 000	2013	2012
Revocable credit lines	**16,885,611**	**16,053,749**
Up to 1 year	12,216,021	11,296,890
More than 1 year	3,823,609	3,625,806
Without maturity	845,981	1,131,053

Raiffeisen Zentralbank Österreich Aktiengesellschaft and Raiffeisen Bank International AG are members of the Raiffeisen-Kundengarantiegemeinschaft Österreich. The members of this association assume a contractually agreed liability stating that together, they will guarantee to fulfill all customer deposits and own issues of an insolvent member up to the limit which results from the total of the financial strength of each individual member institution within the corresponding deadlines. The financial strength of a member institution depends on its freely available reserves taking into account the relevant rules according to 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	339,554	269,770
Financial investments	11,429	9,379
Other fiduciary assets	94,690	94,185
Fiduciary assets	**455,075**	**381,573**
Deposits from banks	131,957	115,565
Deposits from customers	223,067	162,646
Other fiduciary liabilities	100,051	103,362
Fiduciary liabilities	**455,075**	**381,573**

Fiduciary income and expenses break down as follows:

€ 000	2013	2012
Fiduciary income	13,476	6,681
Fiduciary expenses	288	981

The following table contains the funds managed by RZB:

€ 000	2013	2012
Retail investment funds	**22,418,639**	**6,578,312**
Equity-based and balanced funds	9,972,746	4,478,591
Bond-based funds	12,223,530	1,948,411
Money market funds	0	93,311
Other	222,363	57,999
Special funds	**8,456,055**	**1,049,481**
Property-based funds	**254,384**	**125,375**
Total	**31,129,079**	**7,753,169**

(48) Finance leases

€ 000	2013	2012
Gross investment value	**5,313,799**	**4,975,435**
Minimum lease payments	4,778,041	4,469,603
Up to 3 months	670,669	522,579
More than 3 months, up to 1 year	856,588	859,944
More than 1 year, up to 5 years	2,188,683	2,230,740
More than 5 years	1,062,102	856,340
Non-guaranteed residual value	535,758	505,832
Unearned finance income	**683,597**	**695,162**
Up to 3 months	55,549	58,001
More than 3 months, up to 1 year	130,785	139,003
More than 1 year, up to 5 years	331,443	335,039
More than 5 years	165,821	163,120
Net investment value	**4,630,202**	**4,280,272**

As of 31 December 2013, write-offs on unrecoverable minimum lease payments totaled € 61,592 thousand (2012: € 94,208 thousand).

Assets under finance leases break down as follows:

€ 000	2013	2012
Vehicles leasing	1,850,097	1,849,908
Real estate leasing	2,043,835	1,656,118
Equipment leasing	736,270	774,246
Total	**4,630,202**	**4,280,272**

(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	43,355	48,163
More than 1 year, up to 5 years	90,605	102,067
More than 5 years	21,935	34,328
Total	**155,895**	**184,558**

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	104,190	102,444
More than 1 year, up to 5 years	182,046	203,201
More than 5 years	14,307	13,682
Total	**300,544**	**319,327**

(50) Subordinated assets

€ 000	2013	2012
Loans and advances to banks	4,141	37,112
Loans and advances to customers	218,719	56,037
Trading assets	2,963	1,979
Financial investments	53,047	55,905
Total	**278,870**	**151,033**

(51) Securities admitted for trading on a stock exchange in accordance with section 64 BWG

	2013		2012	
€ 000	listed	unlisted	listed	unlisted
Bonds, notes and other fixed-interest securities	11,432,308	1,016,947	8,363,915	680,203
Shares and other variable-yield securities	452,517	99,252	396,186	207,060
Equity participations	1,287	92,341	38,571	66,580

(52) Securities trading book volume in accordance with section 22b BWG

€ 000	2013	2012
Securities, equity investments	4,305,067	3,211,013
Other financial instruments	157,971,605	233,469,320
Total	**162,276,672**	**236,680,332**

(53) Capital management and regulatory funds according to the Austrian Banking Act (BWG)

Capital was and is an integral part of bank management. RZB as an international Group considers several control levels.

Regulatory values are defined for RZB on a consolidated and 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 RZB operates. Such guidelines have to be adhered to by the local Group units.

RZB 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. RZB aims at achieving a core tier 1 ratio (common equity tier 1) according to Basel III by applying the current valid regulations of 9 per cent of the risk-weighted assets within the next 12 to 18 months.

Control on a Group level is exerted by Risk Controlling in coordination with the financial division. 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 of control is on the core tier 1 ratio (common equity tier 1) and the internal capital (total equity ratio) within the framework of ICAAP. Accordingly, the mixture of capital instruments (several kinds of tier 1, tier 2 and tier 3 capitals) has an important role due to the complex mutual consideration limits.

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 RZB. 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 total assets exceeds € 30 billion or 20 per cent of the country's economic performance. RZB credit institution group fullfils the criteria and is indirectly supervised by the European Central Bank (ECB) from 2014 on.

As of 21 February 2014 Raiffeisen Zentralbank as the superordinated credit institution received an offical notification from the financial market supervison (Finzanzmarktaufsicht) corresponding with the decision together with other responsible supervison boards that RZB has to dispose of a minimum own funds requirement of 13.77 per cent on a consolidated basis from 30 June 2014 on.

The determination of eligible own funds in accordance with Section 29a of the Austrian Banking Act is based since the previous year on international accounting standards. The own funds of RZB credit institution group according to Basel II break down as follows:

€ 000	2013	2012
Paid-in capital	2,327,243	2,327,243
Earned capital	3,303,904	3,350,566
Non-controlling interests	4,346,212	4,641,814
Hybrid tier 1 capital	441,252	441,252
Intangible fixed assets	(723,717)	(754,752)
Core capital (tier 1 capital)	**9,694,893**	**10,006,123**
Deductions from core capital	(407,902)	(67,092)
Eligible core capital (after deductions)	**9,286,991**	**9,939,031**
Supplementary capital according to Section 23 (1) 5 BWG	64,950	0
Provision excess of internal rating approach positions	223,593	228,178
Hidden reserve	10,773	35,564
Long-term subordinated capital	3,109,648	3,030,221
Additional own funds (tier 2 capital)	**3,408,964**	**3,293,963**
Deduction items: participations, securitizations	(407,902)	(67,092)
Eligible additional own funds (after deductions)	**3,001,062**	**3,226,872**
Deduction items: insurance companies	0	(800,541)
Tier 2 capital available to be redesignated as tier 3 capital	357,016	302,070
Short term subordinated capital (tier(3))	**357,016**	**302,070**
Total own funds	**12,645,069**	**12,667,432**
Total own funds requirement	**7,126,524**	**6,965,210**
Excess own funds	5,518,545	5,702,221
Excess cover ratio	77.4%	81.9%
Core tier 1 ratio, total	9.9%	10.9%
Tier 1 ratio, credit risk	12.6%	13.8%
Tier 1 ratio, total	10.4%	11.4%
Own funds ratio	14.2%	14.5%

The total own funds requirement is composed as follows:

€ 000	2013	2012
Risk-weighted assets according to section 22 BWG	**73,692,450**	**72,197,895**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	5,895,396	5,775,832
Standardized approach	2,914,161	2,733,465
Internal rating approach	2,981,235	3,042,367
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	874,105	860,048
Total own funds requirement	**7,126,524**	**6,965,210**

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	**36,427,013**	**34,168,308**
Central governments and central banks	1,849,713	2,063,350
Regional governments	91,038	97,525
Public administration and non-profit organizations	24,688	6,363
Multilateral development banks	0	1,150
Banks	571,638	410,188
Corporate customers	16,505,700	15,748,150
Retail (including small and medium-sized entities)	12,570,413	11,397,075
Covered bonds	23,288	1,313
Mutual funds	189,300	111,225
Securitization position	0	51,613
Other positions	4,601,238	4,280,358
Risk-weighted assets on internal rating approach	**37,265,438**	**38,029,588**
Central governments and central banks	317,425	402,650
Banks	3,160,363	3,801,700
Corporate customers	29,221,575	30,789,038
Retail customers	4,293,663	2,811,838
Equity exposures	179,500	118,300
Securitization position	92,913	106,063
Total	**73,692,450**	**72,197,895**

(54) Average number of staff

Full-time equivalents	2013	2012
Salaried employees	58,829	60,596
Wage earners	857	943
Total	**59,686**	**61,539**

Full-time equivalents	2013	2012
Austria	3,283	3,259
Foreign	56,403	58,280
Total	**59,686**	**61,539**

(55) Expenses on severance payments and retirement benefits

€ 000	2013	2012
Members of the management board and senior staff	5,955	11,720
Other employees	17,088	25,763
Total	**23,043**	**37,483**

For two members of the Management Board essentially the same rules apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his own contributions in the same amount. One member of the Management Board has a performance-based pension benefit.

In the event of termination of function or employment and retirement from the company, two members of the Management Boardare entitled to severance payments in accordance with the Salaried Employees Act (Angestelltengesetz) and the Bank Collective Agreement (Bankenkollektivvertrag) and one member in accordance with the Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz).

Furthermore, protection is in place against occupational disability risk through one pension fund and/or on the basis of an individual pension benefit. The contracts for members of the Management Board are concluded for the duration of their functional period or are limited to a maximum of five years.

(56) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. The information about related parties refers to the top of the consolidated group of Raiffeisen-Landesbanken-Holding GmbH.

The parent companies are the non-operating holding company Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, which are majority shareholders in Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

Companies with significant influence are primarily Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest indirect shareholder, and its parent company Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Affiliated companies are the 339 subsidiaries not included in the consolidated financial statements for reasons of materiality.

Disclosures on RZB relations to key management are reported under note (57) Relations to key management.

2013 € 000	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	2,317,909	39,455	246,802	120,847
Loans and advances to customers	0	0	1,034,229	103,269	299,507
Trading assets	0	34,456	1,229	1,345	2,147
Financial investments	0	30,617	467,440	2,373	181,939
Investments in associates	0	0	0	1,601,343	0
Other assets including derivatives	9	5,443	11,427	598	153
Deposits from banks	3,333	4,836,614	0	4,163,436	203,957
Deposits from customers	522	0	147,445	779,389	761,412
Debt securities issued	0	0	1,029	0	0
Provisions for liabilities and charges	0	0	1	0	30,206
Trading liabilities	0	0	16,058	0	288
Other liabilities including derivatives	0	13,312	57,217	2,521	77
Subordinated capital	0	0	0	0	0
Guarantees given	0	3,285	323,756	167,970	32,187
Guarantees received	0	13,209	6,100	200,903	40,379

2012 € 000	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	2,587,097	0	450,039	141,704
Loans and advances to customers	0	0	857,229	460,397	427,650
Trading assets	0	33,488	1,988	12,483	2,434
Financial investments	0	0	485,651	2,373	211,732
Investments in associates	0	0	0	1,719,743	0
Other assets including derivatives	9	830	8,552	62,447	25
Deposits from banks	0	4,736,293	0	5,939,429	224,707
Deposits from customers	580	556	221,663	428,742	502,493
Debt securities issued	0	0	0	0	0
Provisions for liabilities and charges	0	0	3,799	0	13,137
Trading liabilities	0	0	24,957	0	68
Other liabilities including derivatives	0	17,282	1,432	61	26
Subordinated capital	0	0	1	0	13
Guarantees given	0	645	52,237	25,554	20,999
Guarantees received	0	103,696	6,100	152,915	54,184

2013 € 000	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	0	860	14,793	7,169	3,169
Interest expenses	141	(70,251)	(18,911)	(30,269)	(2,102)
Dividends income	0	0	11,560	166,518	11,164
Fee and commission income	0	2,099	11,853	2,468	168
Fee and commission expense	0	(139)	(455)	(213)	(430)

(57) Relations to key management

Group relations of key management

Key management refers to the members of the Management Board and Supervisory Board of the Group parent Raiffeisen Zentralbank Österreich Aktiengesellschaft and the managers of the holding company Raiffeisen-Landesbanken-Holding GmbH. Relations of key management to RZB are as follows (at fair values):

€ 000	2013	2012
Sight deposits	7	14
Bonds	1,343	1,680
Shares	726	897
Savings deposits	63	24
Leasing claims	578	347

The following table shows relations of close family members of key management to RZB:

€ 000	2013	2012
Sight deposits	3	0
Bonds	41	61
Savings deposits	68	46
Leasing claims	33	0

The Group has no further relations with key management.

Remuneration of members of the Management Board

The members of the Management Board of Raiffeisen Zentralbank are remunerated as follows:

€ 000	2013	2012
Fixed remunerations	2,019	1,919
Bonus (performance-related)	635	463
Payments to pension funds and business insurances	964	957
Other remunerations	1,104	1,018
Total	**4,722**	**4,357**

The table contains fixed and performance-based remuneration and other remunerations, including compensation for functions in the management bodies of affiliated companies and benefits in kind.

One member of the Management Board received all remuneration from an affiliated company; no additional remuneration was paid for his activities at RZB. For the function in that company the bonus calculation is linked to the achievement of objectives regarding the profit after tax, Return on Risk Adjusted Capital (RORAC) and cost/income ratio and to the achievement of personal objectives that are agreed upon annually. For one member of the Management Board the bonus payment for 2010 was still measured in accordance with the return on equity (ROE) method. The allocation of the last portion was determined at the discretion of the Personnel Committee.

Remuneration of other boards

The members of the Supervisory Board and other boards are remunerated as follows:

€ 000	2013	2012
Supervisory board	430	418
Federal Advisory Board (Länderkuratorium)	140	145

Moreover, no contracts subject to approval within the meaning of Section 95 (5) Z 12 of the Austrian Stock Corporation Act (AktG) were concluded with the members of the Supervisory Board in the financial year2013.

(58) Boards

In accordance with Section 70 (1) of the Austrian Joint Stock Company Act (AktG), the members of the **Management Board** are personally responsible for leading the company to the best benefit of Raiffeisen Zentralbank and its Group, taking into account shareholders' and employees' interests as well as public interests.

According to Austrian Joint Stock Company Act, the **Supervisory Board** is responsible for monitoring and supporting the Management Board in fundamental strategic company decisions. The Supervisory Board established the Personnel Committee, Audit Committee, Working Committee and Remuneration Committee as sub-committees and staffed these from its own ranks.

- The authorizations of the Supervisory Board's Personnel Committee stretch to the legal relationships between the company and the active as well as the retired members of the Management Board, but exclude their appointment or their termination of contract.
- The Supervisory Board's Audit Committee oversees the accounting process, the effectiveness of the internal control system, the company's internal audit system and risk management system as well as the annual statutory audit and the consolidated financial statements audit. It prepares the recommendation of the Supervisory Board for the selection of the external auditor and bank auditor. The Audit Committee checks and supervises the independence of the Group's auditor and bank auditor, particularly with respect to the additional work performed for the audited company. The Audit Committee is also responsible for auditing the annual financial statements and preparing its findings, assessing the profit appropriation proposal, management report and, if required, corporate governance report as well as reporting on the audit results to the Supervisory Board and auditing the consolidated financial statements and management report, including reporting on the audit results to the Supervisory Board of the parent company.
- The Supervisory Board's Working Committee holds a monitoring and authorization function. This particularly applies when taking on risks arising from banking transactions (including the acquisition and sale of securities). It also authorizes risk limits for customers or a group of related customers as from a limit specified by the articles of association. This also applies when establishing, discontinuing or closing subsidiaries and when acquiring investments, directly or indirectly, if the limits set in the articles of association are exceeded.
- The Supervisory Board's Remuneration Committee monitors the remuneration policy, remuneration practices and remuneration-related incentive structures, each in connection with steering, monitoring and limitation of risks pursuant to Section 39 (2b) 1 to 10 Austrian Banking Act (BWG), with the capital adequacy and liquidity. Also the long-term interests of shareholders, investors and employees of the company had to be taken into account. The Supervisory Board's Remuneration Committee approves the general regulations of the remuneration policy, reviews them on a regular basis and is responsible for the implementation of the remuneration policy and practices approved as well as the direct review of the remuneration of higher management in the risk management and in compliance functions.

Finally, the Supervisory Board authorizes the appointments of members of the Management Board and employees of the Bank to the bodies of associated companies and in the case of the Management Board, it also issues authorizations to suspend the non-competition clause regarding the acceptance of Supervisory Board memberships within the company, which are unconnected to the Group or in whose operations the company does not participate within the meaning of Section 228 (1) of the Austrian Commercial Code (UGB). The conclusion of special employment contracts with pension commitments – with exception of the legal relationship stated for the Supervisory Board in Section 6 (2) of the rules of procedure – also requires the approval of the Supervisory Board.

The Federal Advisory Board (Länderkuratorium) of the Supervisory Board has been set up as an additional body in accordance with the articles of association. It has an advisory function and is authorized to submit proposals to the Supervisory Board at any time.

Management Board

- Walter Rothensteiner, since1 January 1995, Chairman and CEO; Chairman of the Austrian Raiffeisen Association
- Johannes Schuster, since 10 October 2010
- Johann Strobl, since 1 October 2007

Supervisory Board

Executive Committee

- Erwin Hameseder, since 23 May 2012, President, PersA, PrüfA, AA, VergA, Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Markus Mair, til 10 October 2013, first Vice President, PersA, PrüfA, AA, VergA, General Director of Raiffeisen-Landesbank Steiermark AG
- Martin Schaller, since 10 October 2013, first Vice President, PersA, PrüfA, AA, VergA, General Director of Raiffeisen-Landesbank Steiermark AG
- Heinrich Schaller, since 23 May 2012, second Vice President, PersA, PrüfA, AA, VergA, General Director of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Julius Marhold, til 31 July 2013, third Vice President, PersA, PrüfA, AA, VergA, General Director of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.
- Hannes Schmid, since 1 August 2013, third Vice President, Spokesman of the Management Board of Raiffeisen-Landesbank Tirol AG

Members

- Klaus Buchleitner, since 25 June2003, General Director of Raiffeisenlandesbank Niederösterreich-Wien AG
- Andreas Brandstetter, since 25 June 2013, Director of the Managment Board of UNIQA Versicherungen AG
- Peter Gauper, since 24 June 2008, Spokesman oft he Management Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Wilfried Hopfner, since 18 June 2009, Chairman of the Managment Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Günther Reibersdorfer, since 23 June 2005, General Director of Raiffeisenverbandes Salzburg reg. Gen.m.b.H.
- Gottfried Wanitschek, til 25 June 2013, Director of the Management Board of UNIQA Versicherungen AG
- Rudolf Könighofer, since 1 August 2013, General Director of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.
- Reinhard Wolf, since 23 May 2012, Director of the Management Board of RWA Raiffeisen Ware Austria AG

All of the above members of the Supervisory Board have been appointed until the Annual General Meeting regarding the 2013 financial year.

Delegated by the Works Council

- Gebhard Muster, since 20 November 2008, since 14 June 2011 Chairman of the Works Council, PrüfA, AA, VergA
- Désirée Preining, since 14 June 2011 Deputy Chairwoman of the Works Council, PrüfA, AA, VergA
- Gregor Bitschnau, til 28 November 2013
- Walter Demel, since 28 November 2013
- Doris Reinsperger, since 14 June 2011

State Commissioner

- Alfred Lejsek, since 1 September 1996, State Commissioner
- Gerhard Popp, since 1 Dezember 2009, Deputy State Commissioner

Federal Advisory Board (Länderkuratorium)

- Jakob Auer, since 13 June 2000, since 23 June 2012[1] Chairman, President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Josef Graber, since 8 May 2009, since 23 June 2012[1] Deputy Chairman, Chairman of the Supervisory Board of Raiffeisen-Landesbank Tirol AG
- Karl Donabauer, since 28 January 2012, Chairman of the Supervisory Board of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Walter Hörburger, since 22 June 2010, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Robert Lutschounig, since 12 June 2009, Chairman til 23 May 2012, Chairman of the Supervisory Board of Raiffeisenlandesbank Kärnten-Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Sebastian Schönbuchner, since 20 June 2002, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Wilfried Thoma, since 25 June 2003, President of the Supervisory Board of Raiffeisen-Landesbank Steiermark AG
- Erwin Tinhof, since 20 June 2007, President of the Supervisory Board of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.

PersA Member of the Personnel Committee
PrüfA Member of the Audit Committee
AA Member of the Working Committee
VergA Member of the Remuneration Committee
1 A new Chairman and his/her Deputy are appointed each year.

(59) Events after the reporting date

RBI capital increase

RBI announced on 21 January 2014 that it intended to boost its capital base by issuing new shares. The first stage of the capital increase was an offering of new shares to selected qualified institutional investors by way of an accelerated bookbuilding process (pre-placement), in which all of 97,473,914 new shares were placed on 22 January. Raiffeisen Zentralbank participated in the capital increase via its 100% 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 will be applied to the extent that shareholders exercise their subscription rights in the second stage of the capital increase, namely a rights offering during the period from 24 January to 7 February 2014.

Whereas Raiffeisen Zentralbank 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 under the capital increase, with existing shareholders holding the remaining 7,399,125 new shares.

At a subscription and offer price of € 28.50 per new share, gross issue proceeds from the deal amounted to roughly € 2.78 billion. As a result of the capital increase, the free float of RBI AG increased significantly, to roughly 39.3 per cent as of the reporting date on 11 February 2014. Raiffeisen Zentralbank remains indirect majority shareholder, with about 60.7 per cent of shares. RBI AG intends to use the proceeds from the capital increase to repay participation capital amounting to € 2.5 billion.

A key reason for the capital increase was strengthening RBI's equity base to comply with the new Basel III rules (CRR), under which participation capital counts towards core Tier 1 capital (CET1) during a phase-in period only. The capital increase significantly improved the fully phased-in CET1 ratio as a result.

RZB as issuer

RBI AG issued bonds with a volume of € 864 million in the first two months of 2014. Particularly noteworthy is the € 500 million benchmark issue of 14 February 2014, with a coupon of 4.5 per cent p.a. (330 basis points above the Euro MidSwap reference interest rate). This subordinated bond maturing in 2025 and callable in 2020 (subject to regulatory requirements) was several times oversubscribed within a very short period.

Institutional security system established for RBG

The implementation of Basel III in the European Union became effective upon publication of the regulation (CRR) and directive (CRD IV) on 27 June 2013 in the EU Official Journal. Whereas CRR I applies directly in all EU member states as of 1 January 2014, CRD IV had to be translated into local legislation by all EU member states by 31 December 2013. These regulatory changes also resulted in a number of key adjustments relating to regulations, previously stipulated in the Austrian Banking Act (BWG), for a decentralized banking group organized according to cooperative principles: pursuant to Article 49 CRR, credit institutions will in principle have to deduct their holdings in own funds instruments of other credit institutions in calculating their own funds unless an exemption relating to institutional security systems (ISS) provided in Article 49 paragraph 3 CRR applies. Pursuant to Article 113 paragraph 7 CRR, credit institutions may, subject to approval by the competent authorities, assign a risk weight of 0 % to exposures – with the exception of risk assets forming items of core Tier 1 capital, additional core capital or supplementary capital pursuant to CRR – to counterparties with which they have concluded an ISS. The risk weight is relevant for calculating capital requirements under CRR.

In order to be able to take advantage of inter alia these legal effects also under the new regulatory framework, a decision was made at RBG in the course of 2013 to establish an ISS pursuant to Article 113 paragraph 7 CRR. An ISS within the meaning of Article 113 paragraph 7 CRR is a contractual or statutory liability agreement that protects participating institutions and that ensures in particular their liquidity and solvency, if necessary, to avoid bankruptcy. Based on RBG's three-tier organizational structure, the ISS was designed as a two-tier system and proposals were submitted to the competent supervisory authority accordingly.

The FMA granted preliminary approval to the proposals in its procedural orders in December 2013 in accordance with Article 113 paragraph 7 and Article 49 paragraph 3 CRR. Raiffeisen Zentralbank as the central institution of RBG is thus member of the federal ISS, in which – in addition to regional Raiffeisen headquarters – Raiffeisen Wohnbaubank AG and Raiffeisen Bausparkasse Gesellschaft m.b.H. also participate. In addition, a regional ISS has been established in most federal states, with respective regional Raiffeisen banks and local Raiffeisen banks being regional ISS members. The basis for the federal ISS is uniform and joint risk monitoring as part of the early warning system of Österreichische Raiffeisen-Einlagensicherung (ÖRE). The ISS thus constitutes a further integral component supplementing the joint aid association within the scope of RBG in the event of economic problems of a member institution.

New calculation base for Austrian bank levy

As part of the Tax Amendment Act, a new calculation base for the special bank tax also referred to as the stability levy was agreed in February 2014. While the stability levy based on the volume of derivatives has been eliminated, the levy on total assets has been increased; the levy base rate was raised from 0.055 per cent to 0.09 per cent on assets between € 1 billion and € 20 billion, and from 0.085 per cent to 0.11 per cent on assets above € 20 billion. At the same time, the additional special contribution to the stability levy was raised from 25 per cent to 45 per cent. This amendment will result in a considerably higher levy burden on regional Raiffeisen banks and Raiffeisen Zentralbank whereas its impact on the Raiffeisen Zentralbank Group is seen as relatively neutral. However, the previous statutory levy base rate would have resulted in a significantly lower stability levy for the Group in 2014.

Political and economic upheavals in Ukraine

The political and economic situation in Ukraine deteriorated significantly in the first few weeks of 2014. This led to an expansion of Ukraine's budget deficit, accompanied by a reduction in the National Bank of Ukraine's currency reserves and deterioration of Ukrainian government bonds' rating. At the time that the year-end report was being finalized, the Ukrainian hryvnia depreciated roughly 11 per cent against the US dollar. The National Bank responded by intensifying its foreign exchange controls and revising its exchange rate policy. At the editorial deadline, it was not yet possible to estimate the impact on Raiffeisen Bank Aval's financial and asset position. However, the devaluation of the hryvnia has resulted in negative currency exchange differences within RZB's equity capital.

Tensions in the region also impacted Russia, as evidenced by uncertainty stemming from losses on the Moscow stock exchange, as well as by the devaluation of the Russian ruble against the US dollar of around 10 per cent. The ruble's devaluation has led to negative currency exchange differences within RZB's equity capital.

At the time the year-end report was being finalized, the development of all currencies relevant to RZB resulted in a reduction in its Tier 1 ratio (CET1) of roughly 25 basis points.

(60) List of fully consolidated companies

The following table shows a selection of operating companies of the consolidated group. The complete list of Raiffeisen Zentralbank's participations is available at the parent company's headquarters.

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
A-Leasing Finance S.r.l., Conegliano (IT)	10,000	EUR	<0.1%	FI
A-Leasing SpA, Treviso (IT)	80,000,000	EUR	100.0%	FI
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	78.8%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	78.8%	OT
Centrotrade Commodities Malaysia Sdn Bhd, Kuala Lumpur (MY)	1,400,000	MYR	78.8%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	78.8%	OT
Centrotrade Minerals & Metals Inc., Chesapeak (US)	2,000	USD	78.8%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	78.8%	OT
F.J. Elsner & Co. Gesellschaft mbH, Vienna (AT)	436,037	EUR	78.8%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	78.8%	OT
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	78.8%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	78.8%	BA
Non-state pension fund Raiffeisen, Moscow (RU)	513,000,000	RUB	78.8%	FI
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	81.4%	FI
Priorbank JSC, Minsk (BY)	2,997,575,532	BYR	69.1%	BA
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	43.1%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	3,002,774,908	UAH	75.8%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	237,388,000	BAM	78.7%	BA
Raiffeisen Bank International AG, Vienna (AT)	596,290,628	EUR	78.8%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (RS)	58,000,000	EUR	78.8%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	2,207,461,050	PLN	78.8%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	78.3%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	78.8%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,040,000	HUF	78.8%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	78.8%	BA
Raiffeisen Banka d.d., Maribor (SI)	17,578,052	EUR	78.2%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	51.0%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	78.8%	BA
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	500,000	HUF	81.4%	OT
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	78.8%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,100,000	HUF	78.8%	FI
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	200,000	PLN	81.4%	BR

1 Less own shares
2 Company type: BA Banks, FI Financial institution, BR Company rendering bank-related ancillary services, FH Financial holding company, OT Other companies, VV Insurance, WP Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	78.8%	BR
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	78.8%	FI
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	100.0%	BA
Raiffeisen Leasing Aval LLC, Kiev (UA)	180,208,527	UAH	76.9%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	82.8%	FI
Raiffeisen Leasing d.o.o. , Sarajevo (BA)	19,146,455	BAM	81.5%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	81.4%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	84.1%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	81.2%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	80.3%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	80.1%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	51,100,000	HUF	81.4%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	78.8%	BA
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	100.0%	BA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	78.8%	BA
Raiffeisenbank a.s., Prague (CZ)	10,192,400,000	CZK	59.1%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	78.8%	BA
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	5,000,000	EUR	100.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	81.4%	FI
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	100.0%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	81.4%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	71.6%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	270,000,000	CZK	71.6%	FI
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%	BR
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	78.8%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	78.8%	FI
RB Kereskedhöház Kft, Budapest (HU)	4,000,000	HUF	78.8%	BR
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	60.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	2	EUR	78.8%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	1,000	EUR	78.8%	FI
RZB Finance (Jersey) IV Limited, St. Helier (JE)	2,000	EUR	78.8%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	62.0%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	62.0%	BA
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,784	EUR	73.0%	FI
ZAO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	78.8%	BA
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	99.8%	BR
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	78.8%	BA

1 Less own shares
2 Company type: BA Banks, FI Financial institution, BR Company rendering bank-related ancillary services, FH Financial holding company, OT Other companies, VV Insurance, WP Securities firms

(61) List of equity participations

The following table shows selected participations. The complete list of Raiffeisen Zentralbank's participations is available at the parent company's headquarters.

Companies valued at equity in the consolidated statement of financial position

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	BA
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	BA
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	BA
Raiffeisen evolution project development GmbH, Vienna (AT)	43,750	EUR	40.0%	OT
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.8%	BR
UNIQA Insurance Group AG, Vienna (AT)	309,000,000	EUR	31.5%	VV

1 Company type: BA Banks, FI Financial institution, BR Company rendering bank-related ancillary services, FH Financial holding company, OT Other companies, VV Insurance, WP Securities firms

Other non-consolidated subsidiaries and equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
AIL Swiss-Austria Leasing AG, Glattbrugg (CH)	5,000,000	CHF	50.0%	FI
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	OT
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	32.3%	OT
Österreichische Volksbanken-Aktiengesellschaft, Vienna (AT)	577,328,623	EUR	0.9%	BA
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	36,336	EUR	25.3%	OT
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 Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	BR
Raiffeisen Car Leasing Ltd., Budapest (HU)	510,000	HUF	100.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK	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 Leasing EAD, Sofia (BG)	300,000	BGN	100.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	FI
RAIFFEISEN TRAINING CENTER LTD. in liquidation, Zagreb (HR)	20,000	HRK	100.0%	BR
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	24.7%	OT
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	74,126	EUR	20.0%	OT

1 Company type: BA Banks, FI Financial institution, BR Company rendering bank-related ancillary services, FH Financial holding company, OT Other companies, VV Insurance, WP Securities firms

Vienna, 14 March 2014

The Management Board

Walter Rothensteiner

Johannes Schuster

Johann Strobl

Auditor's report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Zentralbank Österreich 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, and the additional requirements pursuant to §§ 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2013 and of its financial performance and its cash flows for the year from 1 January 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, 14 March 2014

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Wilhelm Kovsca	Mag. Rainer Hassler
Wirtschaftsprüfer	Wirtschaftsprüfer

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 14 March 2014

The Management Board

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

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

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

Publication details

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Photos: Peter Rigaud

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

The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation. Like all statements of this kind, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

No guarantee can be provided for the accuracy of forecasts, plan values or forwardlooking statements.

We prepared this Annual Report and checked the data with the greatest possible care. Nonetheless, transmission, typesetting and printing errors cannot be ruled out.

Adding and subtracting rounded amounts in tables may have led to minor discrepancies.

Statements of rates of change (percentages) are based on actual figures and not on the rounded figures presented in tables.

The Annual Report was prepared in German. The extract of the Annual Report in English is a translation of the original German report. The only authentic version is the German version.

If you have any questions about the Annual Report, please contact
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